SUPPLEMENT TO:

NSAA JOURNAL

SPRING 2006

NATIONAL SKI AREAS ASSOCIATION

THE Way We Grow

Four-Part Series Measures the Model for Growth Improvements and Outlines Future Challenges
4 Model for Growth: Measured Improvement, Future Challenges
Halfway through what’s hoped will set the stage for healthy ski area operations for years to come, research indicates that much more must be done to permanently change the course of the industry and truly stimulate growth—and the time to lay the groundwork for our future is now.

7 Part I—The Drivers for Industry Growth
During the spring of 2005, NSAA undertook a 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. The first of our four-part series is designed to assess the progress made in achieving Growth Model goals and provides a brief overview at the national level.

14 Part II—The Regional Models for Growth
In revising the Model for Growth, NSAA built everything from the bottom up, starting with six unique regional models. In part two of our four-part series, we examine each regional model with quantifications and predictions of each region’s visitation flows, population projections and participation rates by age, gender, ethnicity as well as revenue generated per visit.

22 Part III—The Net Promoter Concept
A company’s net promoter score is defined as the percentage of customers who are promoters of a company, minus the percentage who are detractors. The previous two articles in this series documented how gains in visitation have been achieved at the national level, and also outlined future growth scenarios for six distinct regions of the country. We now shift the level of analysis from the strategic to the tactical, outlining the elements of the on-mountain experience that most directly impact customer loyalty.

28 Part IV—A Look at Future Directions
The previous three articles in this four-part series have outlined progress made over the past six years in building the National Model for Growth, the development of the six Regional Models for Growth, and the development of tactical initiatives designed to stimulate growth. In this article, we look ahead to the future of the snowsports industry, both in terms of visits and also in terms of economics.
Model for Growth: Measured Improvement, Future Challenges

Though resorts have made significant strides in boosting visitor numbers, the 25 percent conversion goal is still a long way off.

Since the Model for Growth was introduced, the resort industry has surveyed beginners, analyzed habits, mined motivations, inked incentives, courted revivals, coerced conversion, re-evaluated rental ops, united upper management, pumped out ski school packages, and given first-timers personal space—all while trying to understand the fastidious youth market.

As a result, five years into the Growth Model’s 10-year goal to convert 1 percent more new participants per year, the industry is seeing progress. Skier/boarder visits have been on the rise for the past five seasons, reaching all-time highs in 2002/03 (57.6 million visits), 2000/01 (57.3 million), 2003/04 (57.1 million), and 2004/05 (56.9 million). Most resorts are indicating an increase in conversion as well as notable revival among lapsed participants.

That said, are skier visits the only measure of success? Analysts and resort leaders say “no.” Halfway through what’s hoped will set the stage for healthy ski area operations for years to come, research indicates that much more must be done to permanently change the course of the industry and truly stimulate growth. And the time to lay the groundwork for our future is now.

In 2000, statistics showed that only 15 percent of beginners were converted to core participants. Today, that figure stands at a mere 16 percent, which, according to Nate Fristoe, a director at research firm RRC Associates, “isn’t that great.”

Fristoe says the apparent lack in true growth is not for lack of effort. Most resorts are continuing to make the Growth Model a priority. If anything, it’s that understanding the complex issue of growth is a work in progress, and that the industry has had to strive hard to reverse a troubling trend.

“We have buffered ourselves considerably from 1999,” says Fristoe. “We’ve gone from a scenario of being in steep decline as an industry to now, where we’d maintain a flat line situation if we kept doing what we’re doing. We don’t want to stay in this flat line, but it’s better than the continuous drop we were seeing five years ago.”

NSAA introduced the Growth Model’s “six and one” mantra at its 2000 National Convention. The idea was that resorts introduce 6 percent more never-ever skiers and boarders each year while at the same time trying to boost the industry’s dismal conversion rate and reverse a 20-year history of nearly flat growth. Converting 1 percent of these new participants annually would raise the conversion rate from 15 to 25 percent over the course of the next 10 years.
Has the Model been amended since then? “The focus has been pretty consistent,” says Fristoe. “In 1999, we wanted to develop a tool to look at alternate futures. The real power of the Model was that it was interactive and could allow us to look at various scenarios. Over time, what we realized is that we still need to get beginners to try our sport but that it doesn’t make sense to generate more trial without delivering on an experience that would convert them. We then had an industry shift and started focusing on the mechanics of conversion. We did consumer focus groups and the (snowsports) professional panel. We developed the cookbook focusing on strategies for improving conversion that was used by test site resorts. If there’s been one theme over the past five years, it’s improving the conversion rate and beginners’ experiences.”

Research recently presented by RRC indicates that absolute numbers of beginner participants and beginner skier visits have grown slightly. Nationwide, nearly 3 million skiers/riders were considered beginners in 2004/05 versus just over 2 million in 1998/99. On average beginners are skiing/riding almost one day more per season in 2004/05 than they were in 1998/99, and beginners comprised 2 percent more of total skier visits. These accomplishments have stemmed from significant energies by resorts to cater to beginners, making their experiences as seamless as possible—from pre-arrival through the rental shop, to ski school and onto the hill. In addition, many equipment manufacturers have embraced the Model, developing shorter skis, better boots and other beginner-friendly ski and snowboard rental gear.

Surprising to some was research illustrating that, though visitation gains have been made in the 10- to 17-year-old segment, declines are prevalent in 29- to 40-year-olds. This erosion of what many might consider their “core market” is troubling. Could, in the effort to target beginners, the industry be ignoring an equally important group?

It’s important to note that the Growth Model defines “core” as having to do with participation levels, not age. A “core participant” is defined as one that skis or rides six or more days per season and hasn’t dropped out in the past five years.

RRC estimates that if current progress is maintained but the core continues to erode, that skier visits will hit 57.7 million by the 2010/11 season and 61.7 million by 2019/20. However, should resorts not maintain existing beginner growth and continue to allow core erosion, skier numbers are estimated to sink to 54.9 million and 48.4 million in 2010 and 2019, respectively. RRC has also introduced detailed research broken down by six regions that illustrates that some areas are doing better with this group than others.

Fristoe notes that the hassle-free factor that’s advocated for beginners is equally applicable to core participants. “The (retention) message is similar,” he says. “This is why we never developed specific strategies for core—they’re the same as beginners. For resorts, it’s figuring out where the friction points are and making it easy for customers.”

Appealing to beginners, core participants, lapsed sliders and Baby Boomers who still often foot the bill: The industry has a lot on its plate in the years to come. Unfortunately there’s no silver bullet, though RRC’s Fristoe points to a few ideas. “Some definite strategies for the next five years are understanding the revenue side of things—who your best customers are—and cultivating visitors that are going to be the best lifetime customers. Perhaps focusing on female dropout. Also, try to be very targeted in how we talk about retention—develop specific tactics versus just identifying trends.”
DURING THE SPRING OF 2005, NSAA undertook a 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. The following article provides a brief overview of this update at the national level. Subsequent articles will delve into the details of each regional Model for Growth and specific drivers of growth.

It is important to recall that the Model was introduced 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 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 significant obstacles to achieving growth.

Back in 2000, we estimated that only about 15 percent of beginners were converted to core skiers/boarders in a given season. If we didn’t act to grow the industry through trial and conversion, it was projected that our visitation numbers might be as low as 47.3 million skier/boarder visits by the winter of 2004/05, with the largest visitation declines projected in the “beginner” category (a 9 percent decline by 2004/05). And while retention of core skiers and riders was estimated at a relatively high per season average of 80 percent, there was tremendous concern about future dropout of Baby Boomers.

Based on these observations, the industry decided the most efficacious strategy was to grow the sport 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 1998/99, the baseline performance year chosen as the starting point for the Model for Growth, we’ve grown visits by 9.2 percent, with an average annual rate of growth of about 1.5 percent (see Figure 1). We have seen our baseline performance move from about the 52 million mark to the 55 million mark, with every indicator suggesting we are moving towards a 60 million plus skier/boarder visit season sometime over the next 10 years. Many challenges remain, but as an industry we have a much more sophisticated understanding of what interventions and methods are most effective in creating growth. Moreover, by taking action, we avoided extremely serious potential declines in visitation.

Further evidence of progress comes from a comparison of the growth rate of skiing and snowboarding to the growth rates of other travel and recreation activities. When we analyzed these rates back in 1999, skiing and snowboarding ranked a depressing dead last in the lineup. However, since 1998, the growth in skier/snowboarder visits has outpaced growth in amusement park attendance, overseas trips, movie admissions, NBA attendance, golf rounds played, and National Park visits (see Figure 2).

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

- We succeeded in creating significant amounts of trial in the sport, while at the same time achieving modest gains in the beginner conversion rate;
- Revival, or lapsed, skiers and boarders returned to the sport in greater numbers than anticipated;
- The average number of days skied/snowboarded per season was up for all skier/rider segments.

While the interaction of these three factors has helped to produce visitation gains, there are some underlying
weaknesses that need to be dealt with: namely, 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 42 percent, and fortunately many of the strategies targeted at increasing trial also proved effective in bringing back lapsed skiers and riders. Their numbers increased by almost 27 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 1 percent per year goal set for the industry in 2000.

More troubling than slow gains in the beginner conversion rate is the observed 17 percent decline in the number of core skiers and riders, and a corresponding decline in the retention rate for this core segment. Estimates from this past winter showed that we were retaining about 74 percent of the core skiers and riders.

Figure 3. Number of Active Skiers/Boarders by Segment and Percent Change 1998/99 vs. 2004/05 (in Millions)

Figure 2. Trends in Select Travel/Recreation Activities 1998/2004 (in Millions)
in a given season. This is down from the 80 percent core retention rate observed in the 1998/99 season.

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 18 percent (see Figure 4). This is also true for the beginner segment, which went from an estimated 2.5 days per season to 3.1 days per season, about a 23 percent increase.

While a pattern of increased frequency of use is desirable, we clearly can’t 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 not a sustainable strategy. Plugging the leaks will result in a stable system and will yield greater returns. Over the next five, 10, and 15 years, we must engage in efforts to stop the erosion of the core while simultaneously maintaining our trial and conversion goals.

**Figure 4. Average Days Skied/Boarded by Segment and Percent Change 1998/99 vs. 2004/05**

![Bar chart showing average days skied/boarded by segment and percent change from 1998/99 to 2004/05.](image)

**Figure 5. Percent of Skier/Snowboarder Visits by Age 1998/99 vs. 2004/05**

![Bar chart showing percent of skier/snowboarder visits by age in 1998/99 vs. 2004/05.](image)
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 5). 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.

With regard to the core Baby Boomers, they will inevitably drop out of the sport as they reach their 60s. Despite hopes to the contrary, the rate of age-related dropout in snowsports hasn’t changed much over the past seven years. This is a combination of physiology and sociology. As an industry we can’t do much about the physiology, but we may have a shot at affecting at least some of the sociological factors: for instance, gender-related dropout. Data from the NSAA National Demographic study shows that after about age 40, women start dropping out of the sport, and not surprisingly, they pull their families out with them (see Figure 6).

**Figure 6. Percent of Gender by Age 2004/05**

---

<table>
<thead>
<tr>
<th>7</th>
<th>12</th>
<th>17</th>
<th>22</th>
<th>27</th>
<th>32</th>
<th>37</th>
<th>42</th>
<th>47</th>
<th>52</th>
<th>57</th>
<th>62</th>
<th>67</th>
<th>72</th>
<th>77</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>Female</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0%</td>
<td>90%</td>
<td>80%</td>
<td>70%</td>
<td>60%</td>
<td>50%</td>
<td>40%</td>
<td>30%</td>
<td>20%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Our research and experience has shown that some of the factors that influence 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 toward reducing the dropout rate for this group.

A decidedly different set of issues needs to be addressed for the 29- to 40-year-old Gen X segment. Since 1998/99, we’ve seen an overall reduction in this group’s participation levels. Typically family and career pull them out of the sport in their mid- to late- 20s, and as their kids reach the appropriate age and their economic resources grow, they come back to the sport in their late 30s. We need to increase this rate of return. Programs that target young families will 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 a 17 percent increase in visits by 2019/20 (see Figure 7). Greater efforts will of course produce larger gains, but the most satisfying observation is that we are not modeling huge losses in visitation. The future is in our control and holds significant promise.

**Figure 7. Visitation Projections by Skier/Rider Group 2004/05 to 2019/20 (in Millions)**
Part II: The Regional Models for Growth

This is a Big Country. In some ways the Northeast is as different from the Pacific Southwest as the United Kingdom is from the United States. Because the regions of this country are so unique, no effort to grow the snowsports industry can occur from the top down. That’s why in revising the Model for Growth, NSAA built everything from the bottom up, starting with six unique regional models. Each regional model quantifies and predicts both within-region, resident-generated visitation (e.g., Northeastern residents skiing/riding in the Northeast), while simultaneously modeling cross-region visitation flows (e.g., Northeastern residents skiing/riding in the Rocky Mountains). In addition to these regional import/export visitation flows, we also tracked population projections and skiing/snowboarding participation rates by single year of age, gender, ethnicity and revenue generated per visit.

It should be noted that in developing some of the regional models we normalized the demographic and skiographic data to ensure visitation projections were more representative of observed historical trends in particular regions of the country. This normalization process was particularly important for the Pacific Northwest, which experienced a very unseasonable winter in 2004/05.

Growth Begins at Home

One of the most significant findings from the development of the regional Models for Growth is that over the past seven seasons growth in the snowsports industry has been driven by strong within-region participation. Within-region skier/boarder visits have gone up by almost 17 per-
cent since 1998/99, while out-of-region visits have been relatively flat (0.8 percent decline since 1998/99). Declines in the proportion of visits from out-of-region have been the most pronounced in the Rocky Mountains and Midwest (see Figure 1). Historically about 62 percent of visits logged at resorts in the Rockies have come from out-of-region. In 2004/05, that number was down to about 57 percent. On the opposite side of this equation is the Southeast. In 2000/01, out-of-region visits made up about 9 percent of the region’s total. Today, out-of-region visits account for about 16 percent of the all visits in the Southeast.

In order to better understand the within-region and out-of-region visit flows, it is helpful to look at how much resident-generated visitation is captured by local resorts, versus exported to resorts out-of-region. Generally speaking, the higher a region’s resident-generated visit capture rate, the more focused the region is on importing out-of-region visitation. For example, the Rocky Mountain region enjoys a strong resident-generated participation...
base. Last season it hung on to about 97 percent of its resident-generated visits and imported a significant number of visits from other regions of the country. The Northeast and Pacific Southwest are similar to the Rocky Mountains in terms of the resident visits capture rate. Both hold on to about 81 percent of their resident-generated skier/snowboarder visits, and both are significant importers of visits from out-of-region.

Which regions are the biggest exporters? Not surprising to anyone in the business, the health of the entire snowsports industry is significantly linked to the health of the Southeast and Midwest. Forty-four percent of the total skier/snowboarder visits generated by residents of the United States come from these regions. The Rocky Mountains and Northeast are the largest beneficiaries of these exported destination visits. The Midwest tends to export visits to the Rocky Mountain region (34 percent), while the Southeast is a strong exporter to both the Northeast (17.6 percent) and Rocky Mountain regions (26.5 percent). Monitoring the patterns of trial and conversion for residents of these regions will significantly boost efforts to build solid destination visitor bases.

**Skier/Snowboarder Segments and Conversion/Retention Rates**

In breaking out the skier/snowboarder segments (beginner, core, and revival or “lapsed”) by region, some patterns become evident (see Figure 2). Given their critical role as breeder regions, it is encouraging that the Southeast and Midwest have strong beginner participation, 25 and 27 percent, respectively. Unfortunately the Southeast also has the weakest core segment in the country (46 percent) and the lowest core retention rate (55 percent). This means that, on average, 45 percent of core skiers and riders in the Southeast are vulnerable to dropout in any given season. For a more aggressive growth trajectory, this number would ideally be at 20 percent or less. This clearly represents an area where significant improvement is needed.

With regard to beginner conversion rates, the regions are fairly consistent (see Figure 3), with the Southeast showing the highest beginner conversion rate (16.4 percent), and the Pacific Northwest and Midwest showing the lowest beginner conversion rates at 15 percent each. All regions are well below the 25 percent beginner conversion rate targeted by the industry. In order to capitalize on the limited window of opportunity we have with the current Echo Boom youth population bubble, we need to significantly improve the beginner conversion rate in all regions of the country.

**Figure 2. Skier/Snowboarder Segment Size by Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Beginners (%)</th>
<th>Core (%)</th>
<th>Revivals (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>9.5</td>
<td>63.4</td>
<td>27.1</td>
</tr>
<tr>
<td>Southeast</td>
<td>27.1</td>
<td>23.8</td>
<td>49.1</td>
</tr>
<tr>
<td>Midwest</td>
<td>29.7</td>
<td>24.5</td>
<td>46.5</td>
</tr>
<tr>
<td>Rocky Mountain</td>
<td>14.4</td>
<td>4.9</td>
<td>76.1</td>
</tr>
<tr>
<td>Pacific Southwest</td>
<td>12.7</td>
<td>29.2</td>
<td>58.1</td>
</tr>
<tr>
<td>Pacific Northwest</td>
<td>25.1</td>
<td>15.2</td>
<td>59.3</td>
</tr>
</tbody>
</table>

**Figure 3. Beginner Conversion, Core Retention, and Revival Rates by Region**

<table>
<thead>
<tr>
<th>Region</th>
<th>Beginner Conversion (%)</th>
<th>Core Retention (%)</th>
<th>Revival Retention (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>16.2</td>
<td>25.6</td>
<td>58.2</td>
</tr>
<tr>
<td>Southeast</td>
<td>23.1</td>
<td>55.5</td>
<td>21.4</td>
</tr>
<tr>
<td>Midwest</td>
<td>25.0</td>
<td>25.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Rocky Mountain</td>
<td>25.0</td>
<td>29.3</td>
<td>45.7</td>
</tr>
<tr>
<td>Pacific Southwest</td>
<td>25.0</td>
<td>25.0</td>
<td>50.0</td>
</tr>
<tr>
<td>Pacific Northwest</td>
<td>25.0</td>
<td>25.0</td>
<td>50.0</td>
</tr>
</tbody>
</table>

**ALL REGIONS MUST FOCUS ON IMPROVING THE TOTAL NUMBER OF CORE SKIERS AND RIDERS RETAINED IN ANY GIVEN SEASON. A SINGLE SEASON OF DROPOUT INCREASES THE RISK OF STAYING AWAY FROM THE SPORT PERMANENTLY, AND SIGNIFICANTLY COMPROMISES THE FOUNDATION OF THE SNOWSPORTS INDUSTRY.**
Much more variability is observed in the core skier/rider retention rate, which ranges from a low of about 56 percent in the Southeast to a high of almost 79 percent in the Northeast. Again, all regions must focus on improving the total number of core skiers and riders retained in any given season. A single season of dropout increases the risk of staying away from the sport permanently and significantly compromises the foundation of the snowsports industry. Furthermore, it just makes good economic sense. There is truth in the old saying that it is cheaper to hold on to your existing customers than recruit new ones. Every core skier/rider retained has enormous future lifetime value for the industry, both in terms of their individual participation and that of their family.

**Demographic Challenges**

The United States, and much of the industrialized world, will face dramatic demographic changes over the next 30 years. By 2020, there will be more people over the age of 60 than at any point in human history. When you consider the alternative, that’s not such a bad thing, it just means that as an industry we have to prepare ourselves for the future. The first step in that process is to recognize that the total population growth in this country over the next 15 years will be quite moderate in comparison to the population explosions of the 1950s and 1960s that jump-started the snowsports industry. By 2020, the skiing- and snowboarding-age population (those age 4 to 80) will grow by only about 14 percent (see Figure 4). Over 60 percent of that growth will come from the 60- to 80-year-old age segment. This represents a tremendous five-to 10-year window of opportunity for developers of second home products, however it creates a significant challenge for resort operators in terms of how to keep these older skiers and riders on the slopes. Based on multiple years of research, the best strategy to hold on to them seems to involve keeping spouses active in the sport while at the same time converting their kids and grandkids as early as possible.

The second step in dealing with these massive generational shifts is to recognize that population growth varies tremendously by region. The Pacific Northwest and Pacific Southwest will experience the strongest population growth by 2020. Both regions will grow by about 28 percent, and for both regions, the majority of this population growth will come from the non-White and Hispanic populations. Together these groups will represent about 60 percent of the total population for both regions (see Figure 5). A strong emphasis on marketing to youth and minorities has big upside potential for both regions.

**Figure 4.** Population Growth by Region and Ethnicity 2005 vs. 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>White, non-Hispanic</th>
<th>Non-White, Hispanic</th>
<th>Total Population</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>-2.8%</td>
<td>14.3%</td>
<td>27.7%</td>
</tr>
<tr>
<td>Southeast</td>
<td>-2.2%</td>
<td>10.8%</td>
<td>28.6%</td>
</tr>
<tr>
<td>Midwest</td>
<td>2.2%</td>
<td>6.2%</td>
<td>14.7%</td>
</tr>
<tr>
<td>Rocky Mountain</td>
<td>7.1%</td>
<td>18.0%</td>
<td>25.2%</td>
</tr>
<tr>
<td>Pacific Southwest</td>
<td>26.6%</td>
<td>36.8%</td>
<td>63.5%</td>
</tr>
<tr>
<td>Pacific Northwest</td>
<td>28.0%</td>
<td>27.7%</td>
<td>55.7%</td>
</tr>
<tr>
<td>United States</td>
<td>27.3%</td>
<td>47.1%</td>
<td>74.4%</td>
</tr>
</tbody>
</table>

**Figure 5.** Non-White and Hispanic Residents as a Percent of Total Population by Region 2005 vs. 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>2005</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northeast</td>
<td>28.6%</td>
<td>34.5%</td>
</tr>
<tr>
<td>Southeast</td>
<td>28.0%</td>
<td>32.1%</td>
</tr>
<tr>
<td>Midwest</td>
<td>24.7%</td>
<td>29.2%</td>
</tr>
<tr>
<td>Rocky Mountain</td>
<td>22.7%</td>
<td>27.3%</td>
</tr>
<tr>
<td>Pacific Southwest</td>
<td>52.5%</td>
<td>60.5%</td>
</tr>
<tr>
<td>Pacific Northwest</td>
<td>61.6%</td>
<td>60.0%</td>
</tr>
<tr>
<td>United States</td>
<td>33.3%</td>
<td>39.7%</td>
</tr>
</tbody>
</table>
A more challenging set of circumstances exists in the East. The Northeast, Southeast and Midwest will all be fairly flat in terms of overall population growth (see Figure 6). By 2020, the graying of the Northeast, Southeast, and Midwest will result in a decline in the 41- to 59-year-old skier/snowboarder base, a large increase in the 60- to 80-year-old segment, and relative stability (but under-performance) in the 29- to 40-year-old segment. Given the role of the Southeast and Midwest as generators of destination visits, these regional changes will affect the entire industry. Marketing messages that coax older skiers and snowboarders away from warm-weather vacations and towards skiing/snowboarding trips will have to reach out to a much older base than ever before in these regions.

The Northeast will be particularly demographically challenged. By 2020, the Northeast will experience only about a 6.5 percent growth in its total population and a 2.2 percent decline in its White, Non-Hispanic population. Significant out-migration from the Northeast to the West and South will create a resource drain for the region, and the Northeast’s heavy reliance on an increasingly aging core base (see Figure 6) will represent a major risk. Cultivating more out-of-region visits and reaching out to 29- to 40-year-olds and their children is one strategy for the Northeast to strongly consider.

**Skier/Snowboarder Age Profiles**

The current age distributions of skiers and boarders in each region of the country are portrayed in Figure 6. These age distributions are broken out by single year of age, within-region versus out-of-region visits, and by ethnicity. Close examination reveals some notable trends. As mentioned above, the Northeast clearly shows a
strong reliance on an aging base of regional skiers and snowboarders with relatively low minority participation.

The Southeast and Midwest both show relatively strong Gen Y participation levels on the one hand and troubling dips in 28- to 40-year-old Gen X participation on the other. Turning young families on to the sport in greater numbers in these regions is good for both local and destination resorts.

As stated before, the Rocky Mountain region has a heavy dependence on out-of-region visitation, but fairly low minority participation in the destination segment. An important component for the future health of the region will be turning minority skiers/boarders from the Pacific Southwest, Pacific Northwest, Midwest and Southeast, into Rocky Mountain destination skiers/boarders.

The Pacific Southwest has a strong and youthful base and the best minority mix in the country. The region is

![Figure 7. Revenue Captured by Skiing/Snowboarding by Region (in Millions)](https://example.com/image.png)
solidly positioned for strong growth over the next 15 years. Efforts should be directed towards turning young minority skiers and riders into passionate destination skiers and riders. This strategy would benefit the Pacific Southwest and the industry as a whole.

The Pacific Northwest skier/snowboarder age profile shows exceptional strength in the teen visitor segment, however there is evidence of significant weakness in the vital 28- to 40-year-old Gen X visitor segment. The short-term economic health of the region will depend on boosting participation among the Gen X visitor segment, while simultaneously holding on to as many of the Baby Boomers as possible.

**Revenue Mix by Region and Age Group**

An examination of the revenue captured by the snowsports industry further highlights the differences among the regions. Last season, factoring in the amount spent on lift tickets, lessons, rentals, food and beverage, shopping, entertainment, airfare, car rentals and lodging, the Rocky Mountain region accounted for about 34 percent of the total revenue captured by the snowsports industry. The Northeast was a distant second at 24 percent, and the Pacific Southwest came in third at about 16 percent (see Figure 7).

When revenue captured is broken out by age it becomes clear that the 41- to 59-year-old age group is the backbone of the industry. Overall they accounted for about 30 percent of the total revenue generated during the 2004/05 season. With the exception of the Pacific Southwest, they are the top revenue generating age group in every region of the country. In fact, 41- to 59-year-old residents of the Rocky Mountain region produced almost 10 percent of the total revenue captured last season. As this age group reaches the prime age for dropout over the next five, 10 and 15 years, maintaining the revenue stream from this core base will be vital. The Gen X segment simply doesn’t exist in great enough numbers to make up for potential spending dips on the part of these Baby Boomers. Our hopes lie with the age cohort currently defined by those aged 18 to 28 years old. This Gen Y segment currently accounts for 31 percent of the revenue in the Pacific Southwest, and because of their size and spending profile, are well positioned to be prime revenue generators in other parts of the country as well (see Figure 7).

![Figure 8. Revenue Captured by Skiing/Snowboarding by Region and Age Group](image-url)
Visitation Projections by Region

Given the current state of the regions, what can we expect with regard to growth in visits? Assuming a continuation of existing trial and conversion strategies, the industry as a whole will grow about 9.4 percent (see Figure 9). The Pacific Southwest is positioned to experience the strongest percent growth in visits (21.6 percent) and the Northeast the weakest (2.1 percent). For the Midwest and Southeast, the strategy of trial and conversion will achieve growth, 18.4 and 9.8 percent respectively, but cultivating the Gen X market and increasing the average number of days skied/snowboarded within-region are also recommended.

The Rocky Mountains will experience a very modest 5.8 percent gain in visitation from 2004/05 to 2019/20. The strategy of trial and conversion has buffered the region against substantial declines; however leakage from the core skier and rider base has greatly sabotaged significant growth. Moving forward, the region must concentrate on creating fewer lapsed skiers and riders (i.e., strong core retention).

In the Pacific Northwest there will be a projected 16.2 percent total growth in visits from 2004/05 to 2019/20 if current trial, retention and conversion efforts are maintained. While trial and conversion does yield results for the region, a focus on core and revival retention would push growth further in the positive direction sooner. Without any interventions or maintained efforts to achieve growth, visits are projected to remain relatively flat in the Pacific Northwest over the next five years.

All of these projections assume a continuation of the status quo. Efforts to implement strategies that more aggressively address weaknesses in core retention rates, beginner conversion rates and the targeting of young families and youth will produce significant results.

Conclusions

Again, the overall message is one of hope. Challenges lie ahead but we have the tools to deal with them. Furthermore, we understand that growth occurs at a grassroots level. Each region has its own unique set of challenges and unique prescriptions for growth. The regional Models have allowed us to understand import/export patterns, identify regional opportunities in the minority market, quantify generational shifts and their geographic specificity and threat, identify our best customers, and reveal underperformance in specific age cohorts. Future articles will explore the practical implications of these findings in greater detail. We will specifically focus on the concept of customer loyalty, its correlation to growth, and why you should be measuring it at your resort.
The snowsports industry has undeniably grown over the past five seasons. The previous two articles in this series documented how gains in visitation have been achieved at the national level; through the Regional Models for Growth, they also outlined future growth scenarios for six distinct regions of the country.

The take-home message was clear; putting the industry on a more aggressive growth trajectory over the next 15 years will require ambitious improvements in both beginner conversion rates and retention levels of core skiers and riders.

With these goals in mind, we now shift the level of analysis from the strategic to the tactical, recognizing that the practical implementation of these two growth strategies will involve developing a basic understanding of the elements of the on-mountain experience that most directly impact customer loyalty, a concept which itself is strongly related to both the likelihood of a beginner converting to a core skier/rider, and also to the retention level of existing core skiers and riders.

Conversion and retention don’t happen as the result of the consumer developing a kind of unconditional love for snowsports. A skier/rider’s commitment to the sport must renew itself with every trip to the slopes. Renewing this commitment involves building customer loyalty, and building customer loyalty involves establishing and maintaining a relationship with the consumer that engenders within them feelings of attachment, devotion, faithfulness, and even affection for your resort. Fortunately, measuring this somewhat amorphous and
A company’s net promoter score is defined as the percentage of customers who are promoters of a company or brand, minus the percentage who are detractors.

**The Net Promoter Concept**

A tool developed by Fredrick Reichheld (Reichheld, 2003), a company’s net promoter score is defined as the percentage of customers who are promoters of a company or brand, minus the percentage who are detractors.

During the 2004/05 season, the National Demographic Study measured this concept using the question, “How likely are you to recommend this resort to a friend or colleague,” presented in Figure 1. The respondents who gave a nine or 10 were considered promoters, and those who said zero through six were considered detractors. The net promoter score is equal to the percent promoters minus the percent detractors.

The higher the net promoter score, the higher the likelihood the company or brand will experience growth. The median net promoter score across a broad range of industries is about 16, with a few highly successful companies achieving scores in the range from 75 to 80. For the 69 resorts surveyed in 2004/05, the average net promoter score was about 46.

Significant regional variation was apparent (see Figure 2). The Rocky Mountain region had the highest average net promoter score (66.3), with the Northeast and Midwest hovering close to the national average at about 47 and 46 percent, respectively. In the Southeast, a relatively high proportion of detractors pulled down the average net promoter score, resulting in a national low of about seven.
In addition to regional variation, there was a significant amount of variability in the net promoter scores at the individual resort level (see Figure 3). Scores ranged from a resort high of about 94 to a low of about -80. Generally speaking, most of the resorts that recorded net promoter scores of 30 or less have shown flat to negative skier/snowboarder visitation growth rates over the past five seasons.

Based on these data, we estimate that the majority of U.S. resorts, 54 percent, fall into what we would consider the “good” or “excellent” net promoter categories (see Figure 4). These resorts have relatively high levels of customer loyalty and achieved net promoter scores of at least 50 or more, with the best resorts scoring 75 or higher. Conversely, we estimate that 24 percent of resorts are in the “mediocre” category, with net promoter scores ranging somewhere from 30 to 50. The remaining 22 percent are in what we would gently refer to as the “bad” category. These are resorts with net promoter scores of 30 or less.

Customer loyalty, as indexed by the net promoter concept, also varies quite a bit with age (see Figure 5). Customer loyalty is strongest in the 65-and-over age segment (net promoter score of 72), and progressively weakens moving into younger age segments, hitting a low of 31 for the 10- to 14-year-old age group. Encouragingly the nine and under age group shows a slightly higher level of customer loyalty, with a net promoter score of 49. Current data would suggest we are failing to maintain loyalty as guests move into their teenage years, a finding that will be explored in greater depth in the future.

**Hierarchy of Needs**

For the benefit of the entire industry, NSAA’s research programs have given us some clear answers about how loyal customers are created and detractors are born. To
understand this cycle we have organized our findings into a kind of hierarchy of needs for skiers and snowboarders (see Figure 6). At the most basic level are the “front line factors.” These are the deal breakers: restroom cleanliness, wait times at lift lines, availability of grooming, rental shop staff, boot fit and greeters. If any of these are bad it is fatal to the customer’s quality of experience and a detractor is born.

Once the basic front line factors are met, the customer is generally in the neutral category and now expects a whole different level of service from the resort. This new level we call the “polish factors.” Most customers, and beginners especially, simply expect the resort will deliver these factors as a matter of course. The polish factors include quality après ski, good lessons, easy parking, informative signage, and quality and variety in food and beverage choices. Excel here and you can turn a neutral customer into a promoter.
customer into a promoter. Fail, and a neutral customer can become a detractor.

Finally, at the very highest level of the hierarchy is the assessment of the overall experience. This judgment is influenced by both the customer’s direct experiences and also the experiences of others in his or her travel party. Even if the guest is a promoter, if a spouse, child, or friend has a bad experience and is a detractor, it can result in the entire travel party becoming detractors. Unfortunately the reverse isn’t generally true; a promoter can rarely change a detractor’s mind.

Most beginners surveyed say that they talk with friends and family to get information prior to heading out on the slopes. We would ideally like them to be talking with promoters. Every detractor generated by a resort results in multiple customers lost for the entire industry. Detractors don’t come for a return visit and, worse yet, their negative word of mouth drives people away from your resort and potentially the entire sport.

Woven throughout this entire hierarchy of needs is the requirement of quality human interaction at every level. Our research definitively shows this to be a necessary element of the conversion and retention process. Results from the NSAA Test Site Program demonstrate that positive encounters with greeters in the parking lot, on-mountain ambassadors, snow school staff, and even with the ski patrol, can all enhance the consumer’s opinion of your resort and can generate strong customer loyalty. Furthermore, it’s important that staff is caring, enthusiastic, and genuinely empowered to be helpful during their interactions with guests. The hollow and obligatory “welcome” or ineffectual “may I help you” is almost as big a turn-off as no customer service at all.

**References**

---

**Figure 6. Hierarchy of Needs**

Guests evaluate their day based on how well their needs, and their family and friend’s needs, have been met.

These elements turn first-time visitors into repeat customers.

If it’s not met it’s fatal.

NET PROMOTER SCORE

OVERALL EXPERIENCE

“POLISH” FACTORS
(e.g., après ski, lesson, signage, parking, food and beverage)

FRONT LINE FACTORS
(e.g., restroom cleanliness, lift line waits, grooming, rental shop staff, boot fit, greeters)
THE PREVIOUS THREE ARTICLES in this series have outlined progress made over the past six years in building the National Model for Growth, the development of the six Regional Models for Growth, and the development of tactical initiatives designed to stimulate customer satisfaction in ways highly correlated with growth.

In this article, we look ahead to the future of the snowsports industry, both in terms of visits and also in terms of economics. Over the next five years, as we hopefully approach 60 million skier/boarder visits per year, how are our efforts impacting not only raw visitation, but also the bottom line?

Recap of Vital Trends

As a starting point in looking to the future, it’s worth reviewing a few of the key takeaways from the national and regional models.

1. **Make your own boom.** At least for the foreseeable future, we can’t expect any major population explosions to help jump-start snowsports participation in the United States the way the Baby Boomers did in the 1960s and 70s. It is up to us to create increased demand and enthusiasm for our product.

2. **Diversity is here now.** The U.S. population is more diverse today than it was 20 years ago, and will be more diverse 20 years from now than it is today. This pattern creates tremendous regional opportunities for savvy resort operators, with the Pacific West uniquely positioned to capitalize on its current strength in the minority market.

3. **There is no time like the present.** We have a limited window of opportunity with today’s youth, and in our lifetimes there will never be another time when we have...
a better opportunity to capture these young people and convert them to lifelong skiers and snowboarders.

4. Focus on sustainable growth strategies. We have made significant progress in improving beginner conversion rates but are falling well short of the 25 percent conversion goal. Much of the growth experienced over the last six years is the result of fewer core skiers and riders, skiing/riding more days. Strategies that focus on increasing the average days skied/snowboarded per season tend to produce increased visitation levels, but are not as sustainable as long-term growth strategies focused on building a strong customer base through conversion.

5. Retain to grow. We must hold on to the aging Baby Boomer as long as possible during this time of transition to a younger core. Based on multiple years of research, the best strategy to hold on to them seems to involve keeping spouses active in the sport, while at the same time converting their kids and grandkids as early as possible. This dual strategy requires resort operators to walk a fine line between courting an energetic youthful image, while at the same time not alienating the lucrative older Baby Boomer core.

6. Recognize regional dependencies. Over the next 15 years the Southeast and Pacific Southwest have the strongest projected rates of visitation growth. Turning new skiers and snowboarders from these regions into dedicated core participants is a good thing for destination-oriented resorts across the country.

With all of the above factors taken into consideration, the revised Regional and National Models for Growth indicate that a fairly modest combination of trial, conversion and retention strategies can put the industry

---

**Figure 1. Visitation Projections by Skier/Rider Group 2004/05 to 2019/20** (in Millions)
on a strong growth trajectory (e.g., a 17 percent gain in visitation by the 2019/20 season). But why settle for modest? The Model for Growth has always been inherently based on the principle of self-interest. Individual resorts willing to invest in a more aggressive focus on the drivers of growth will see more aggressive results. These results will manifest themselves both in visitation gains and increases in revenue.

**Looking to the Future**

Up to this point, the outcomes of the Model for Growth have largely been expressed in terms of visitation gains. Skier/boarder visits will always be one of the primary metrics we use to measure progress, but they are not the only indicator of a resort’s health, nor are visitation gains the only payoff that comes from a focus on the drivers of growth. As we reach new levels of visitation, we must turn more of our attention to the financial outcomes of investing in the principles of the Model. In service of this goal, NSAA has been engaged in an unprecedented effort to integrate demographic, visitation, socio-economic and resort-economic measures in a way that will allow its members to understand how improvements in trial, conversion and retention rates relate to measures of a resort’s economic health.

As we move toward a more concrete focus on components of the bottom line and their relation to the tenets of the Model for Growth, we also need to evolve a more complete understanding of the distinction between creating value and mere discounting. Discounting often leads to cannibalization, a diminishing of perceived value and to reduced profitability. While over the past two to three years profitability for many resorts has turned more positive as overall conditions within the industry have improved and the Model for Growth strategies have begun to take effect, we must make sure these improvements are based on sustainable practices. We see the creation of value as the appropriate long-term strategy for growth.

Figure 2 provides a glimpse of what a focus on value through improved customer service can do in relation to basic indicators of profitability. Here we examine the relationship between a resort’s net promoter score (an index of customer satisfaction), and historical rate of growth in EBITDA (earnings before interest, taxes, depreciation and amortization). Clearly, preliminary data strongly suggest a positive relationship between customer satisfaction and revenue growth, with resorts having net promoter scores in excess of 30 showing strong historical rates of growth in EBITDA. In other words, high perceived value correlates with high customer satisfaction, which in turn is related not only to growth in visitation, but also to growth in profitability. Work to be presented at the ’06 NSAA National Convention will further refine these types of relationships and segment them by region and target visitor groups.

**Conclusions**

The integration of NSAA’s significant library of snowsports industry growth data has created, and will continue to create, a far more positive environment than could ever have been reasonably anticipated at the initial NSAA Board meeting that gave birth to this effort. This progress has come during a period when the travel, tourism and leisure industry has suffered greatly. That is not to ignore the incredibly challenging environment that continues to exist. For example, we recognize and acknowledge the continuing impacts of extreme weather on our operations. However, if we can continue to focus on the key fundamentals of the Model for Growth, we have one of the best overall recipes for long-term success in participation and in revenue growth available to any leisure industry. ■