

Ski Resorts Expand Year Round Revenues, Add Outdoor & Indoor Waterparks

By Jeff Coy & Bill Haralson

Is the snow ski resort industry dead? A few years ago, some people thought so. Snow ski resort marketers focused on traditional skiers --- aging baby boomers with higher incomes. These traditional snow skiers visited ski areas to the tune of 40 million visits annually for the last four years --- with no signs of real growth. Profits at the larger ski areas started to melt away.

Meanwhile, smaller ski areas were prospering. Why? Smaller ski areas were focusing on the youth market, you know, those snowboarders. Snowboarder visits at ski areas were expanding rapidly from 12.8 million in 2000, 15.4 million in 2001, and 15.3 million in 2002 to 17.0 million in 2003. That's 32.8% growth over a four year period!

Clearly, the ski industry is alive and well, recording its best year ever in 2003 with 57.6 million visits. But the growth is not because of the traditional skier, it's because of the younger snowboard rider.

While many ski resorts missed the youth market for years, the early snowboarders are now about 34 years old. Snowboarding is now an Olympic sport and has become a mainstream sporting activity.

How are ski resorts changing?

Many ski resorts are broadening their appeal to all ages, widening their acceptance, expanding recreation, providing more service, making lessons easier and creating an environment of convenience and affordability for extended family gatherings.

But creating facilities for the growing board riding market can be difficult unless you understand the trinity of the boarding lifestyle: snowboarding, skateboarding and surf/waveboarding. Board riders worship snow, concrete and water because they can ride on all three surfaces. Ski resort owners met recently with designers and consultants in the amusement industry to discuss new product innovations aimed at capturing the board riding market all year long. And the applications are both outdoor and indoor.

<i>Boarders Like to:</i>	<i>Facilities Needed:</i>
Snowboard	Outdoor ski hills in winter Indoor ski hills year round
Skateboard	Outdoor skateparks in summer Indoor skateparks year round
Surf or Waveboard	Outdoor wave parks in summer Indoor waveparks year round

While many ski resort owners now welcome snowboarders on their ski hills, they are slow to grasp the opportunities to build the outdoor and indoor facilities that will attract snowboarders, skateboarders and surf/waveboarders all year long. For example, the first wavepool designed and built exclusively for surfers is expected to open next winter at Festival Bay Mall on Orlando's International Drive with indoor facilities to follow in New York and New Jersey. The ideas are endless.

Yet resort owners are struggling with ways to become a four season resort.

Here's the four season strategy in a nutshell. Consider what three ski resort owners are doing to become a four season resort:

- Expand winter recreation for multi-age visitors
- Expand summer recreation
- Open an outdoor waterpark: CamelBeach Waterpark, Tannersville PA
- Build a hotel indoor waterpark resort, Boyne Mountain Resort, Boyne Falls MI
- Plan a hotel indoor waterpark in your Village: Silver Mountain Resort, Kellogg ID
- Expand spring and fall business with meeting & convention facilities

Expanding winter recreation for multi-age visitors

"Many ski resort owners have expanded their winter activities and facilities in an attempt to draw in more visitors," according to Bruce Closser of Closser & Associates in Marquette MI. The firm conducted a survey of 138 ski resorts in the USA in May 2004. Results show that 41% of ski resorts offer snow tubing hills, 38% offer cross-country skiing and 36% offer snowshoeing. These are the top three fun-things to do in addition to downhill skiing, yet the list of possibilities is endless. Only 15% of ski resorts provide sleigh rides and 14% offer snowmobiling. After that, fewer than 10% of resorts offer expanded recreation, such as dog-sledding, paragliding, air boarding, heli-skiing, bobsledding, ice-climbing and orienteering. You can talk to Bruce Closser at 906-228-9133.

"One exciting idea is bringing *Real Snow Indoors*", says Jeff Coy, who heads JLC Hospitality Consulting in Rochester MN. While attending an amusement industry trade expo, he discovered a company in The Netherlands that creates large themed indoor winter sports domes. "It's a kid's indoor snow and ice amusement park. They also create indoor snow tracks for snowmobiling, dog sledding and x-country skiing," he says. Contact Unlimited Snow at their website, www.unlimited-snow.nl.

Expanding summer recreation

Most resorts are highly seasonal, which means they generate revenues for only about 100 days and have expenses for 365 days. The secret to financial success is to work toward becoming a four-season resort by adding recreation in the non-peak seasons. Forty-six percent (46%) of ski resorts provide mountain biking trails for their guests in summer. About

38% offer hiking. Many ski resorts (37%) have added golf courses to generate summer revenues. Additional summer recreation offered by ski resorts in the USA include: scenic lift rides 33%, ball courts 28%, mountain bike lift service 22%, fishing 19%, horseback riding 16%, climbing walls 15%, disk golf 11% and miniature golf 11%, according to the Closser.

Another idea ski resort owners are considering is *Skiing & Snowboarding in Summer*. “At ski resorts in the summer, you can ski outdoors where there is no mountain and when there is no snow,” according to Coy. It’s done with a water-covered slope that allows normal snow skis and snowboards. For more information, contact Creek Surfing Ltd in Hungary at 36-76-483272 or go to www.axelero.hu/czintos.

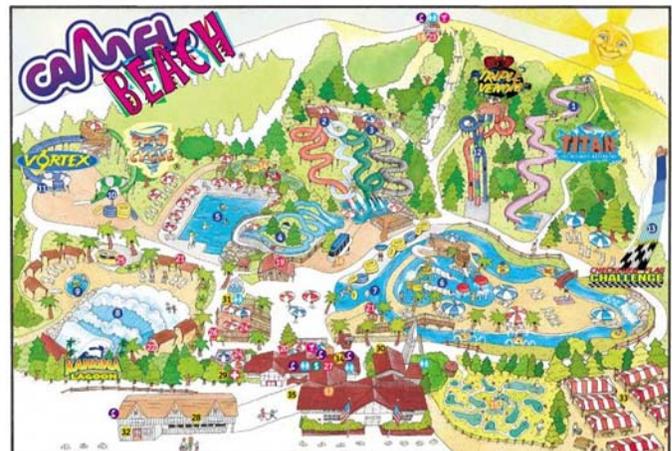
Dieter Sturm heads Snowflex USA of Lake Geneva WI, which is the US distributor for Snowflex Centers, an idea involving *Artificial Snow Surfaces* that allow outdoor snow skiing and snowboarding 365 days a year, anywhere, any climate. The idea originated in the UK, where there are 12 Snowflex Centers. Contact Dieter Sturm at 262-245-6594 or go to www.sturmsfx@genevaonline.com.

A few ski resort owners have been quick to expand summer revenues with waterslides, waterparks, alpine slides, bungee trampolines, summer camps, kayaking, canoeing, mountain scooters, ropes course, wagon and carriage rides, all terrain vehicle tours, paintball, skate parks, cable rides, driving range, rock climbing, mountain boards, orienteering, rafting, go-karts, human maze, paddleboats, riverboat cruises and skating schools. Lately, it’s the success of the outdoor-indoor waterparks that is grabbing the headlines.

Opening an outdoor waterpark at Camelback Ski Resort

In 1998, ski resort owner Sam Newman transformed his winter resort into a summer outdoor waterpark with waterslides, an activity pool and a lazy river. It was the first time a ski resort ever made such a huge commitment (\$4.2 million initial investment) to attract the family market in the summertime. Bill Haralson of William L. Haralson & Associates did the feasibility study, and Ken Ellis of Aquatic Development Group created the master plan for the transformation.

“Camelback Ski Resort transformed into CamelBeach Waterpark over seven seasons with a \$12 million total investment,” according to Dave Kulis, who recently spoke to ski resort owners at their NSAA convention. Kulis, who heads sales & marketing for the resort, explained that the ski resort has added new attractions every year except one since 1998 to capture a larger attendance.



The phased expansion included: a family rafting ride in 2000, a wave pool in 2001, a body and tubing bowl in 2002, a speed waterslide in 2003 and a racing slide complex in 2004.

Camelback Ski Resort drew 340,000 winter visitors and only 50,000 summer visitors annually, prior to building its outdoor waterpark. Today, Camelback attracts over 700,000 total visitors. "Summer visitors will exceed winter visitors in 2004," predicts Kulis, who says summer attendance growth shows no signs of slowing down.

CamelBeach Waterpark generates per cap revenue exceeding \$24 and the ski resort now experiences a positive cash flow in summer. Kulis says margins are better in summer than winter because there are no big costs like snowmaking and utilities. The resort is able to better utilize its full time staff which have both winter and summer duties. More than 550 season positions are filled during summer. Camelback has become a very desirable place for high school and college students to work during summer breaks.

The CamelBeach outdoor waterpark model will not work for every ski resort situation. The feasibility depends greatly upon whether the ski resort is a day visit facility or a destination ski resort. Proximity to large population centers is a key determinant. Outdoor waterparks typically draw from up to 50-75 miles away, especially if there is no lodging on-site. Indoor waterparks, however, draw from up to 200-250 miles away and are recommended for fly-to ski resort destinations with abundant lodging on-site. Get an objective feasibility report from an independent consultant.

Building an indoor waterpark at Boyne Mountain Resort

Everett Kircher, an innovator in the ski resort industry for many years, died a couple years ago. His children took over Boyne USA, the family business. His son, Steve Kircher, runs Boyne Mountain Resort in northwestern Michigan.



Steve faced many of the same challenges that the ski industry faced: aging customers, aging property, no revenue growth, new competition.

In early 2001, he started construction on a 200-unit condo-hotel called the Mountain Grand, then halted construction midway due to a slowing economy, 9/11 and the need to solidify his financing. Steve discovered the hotel waterpark resort phenomenon that was occurring in Wisconsin Dells and hired Jeff Coy and Bill Haralson to determine the indoor waterpark feasibility for his ski resort.

In the last two years, Steve Kircher has altered his strategic plan for the Boyne Mountain Resort Village master plan. He has secured his funding for his condo-hotel and resumed construction on the 200 units. In addition, he joined with an equity partner to own and operate a 58,000 square foot indoor waterpark called Avalanche



Bay, which is connected to the Mountain Grand Hotel. Water Technology Inc of Beaver Dam WI provided the design concept and engineering. Construction started on the indoor waterpark in April 2004.

Continuing the pioneering spirit of his father at Boyne, Steve's project is the first ski resort in the USA to build an indoor waterpark. Resort lodging will increase from 304 to 524 units. The waterpark is expected to generate an additional \$9.9 million in total resort revenues. The Mountain Grand and its Avalanche Bay indoor waterpark will officially open on Memorial Day 2005. You can reach Steve Kircher at 231-549-6005 or go to www.boyne.com.



While Boyne is under construction, another ski resort owner-operator has an indoor waterpark on the drawing board.

Planning an indoor waterpark at Silver Mountain Resort

Eagle Crest Communities of Redmond OR is a residential resort developer that owns several resorts in the Northwest, including Silver Mountain Resort in Kellogg ID. "We were open 5 days a week and we were not making a profit, but we had a few positive things in our favor," says Jerry Andres, CEO. "We have the driest powder snow east of Seattle and Spokane and we're located on Interstate 90 in the panhandle of Idaho, just half an hour east of Coeur d'Alene --- a very popular summer resort destination."



"Our biggest selling feature is a gondola that transports visitors 3.1 miles from our base village to our mountain-top ski facilities. Up top, we have two peaks at 6,300 feet elevation with 53 runs, 1,500 skiable acres and 2,200 foot vertical drop --- along with a restaurant, lounge, grille, snack shop and banquet facilities," says Andres.

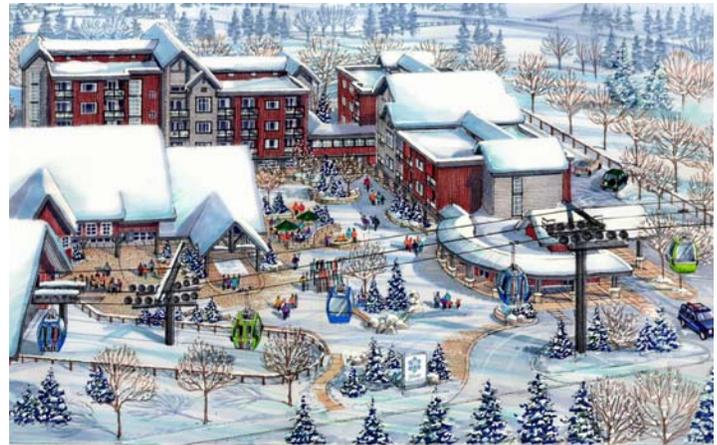
Gondola Base Village consists of a terminal building with administrative offices, sales office, restaurant, bar, meeting rooms and a few retail stores --- nothing really exciting. "Silver Mountain Resort attracted 85,000 to 90,000 skiers annually, but we weren't making a profit." In 2001, Andres announced plans to convert Silver Mountain Resort from a day-ski operation with no lodging to a year round regional resort destination with lodging.

Silver Mountain Resort hired a management firm to operate existing ski facilities and assist in the development of new facilities --- including new ski slopes, a residential area, golf course and a master plan for Gondola Base Village including restaurants, retail and 68 wholly-owned condominiums which would provide nightly lodging rental units for overnight skiers. Andres and Rhodes had read about the success of indoor waterparks in Wisconsin Dells WI and were wondering about the feasibility of adding an indoor waterpark to the master plan.

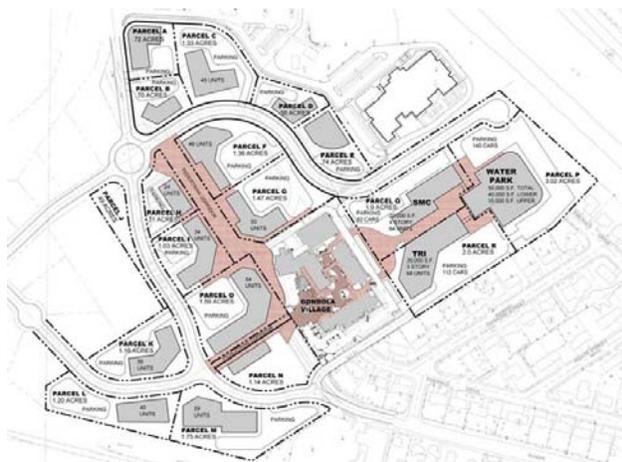
In November 2003, Jerry Andres and Brian Rhodes attended the International Association of Amusement Parks & Attractions (IAAPA) Expo, met with hotel-waterpark consultants Jeff Coy and Bill Haralson and subsequently hired the pair to determine feasibility for a hotel with indoor waterpark in the Gondola Base Village at Silver Mountain.

In May 2004, Silver Mountain Resort pre-sold its 68 condo units within a 3-day period.

The hotel-waterpark feasibility report indicates the market will support a 200-room full service hotel with a 47,000 sf indoor waterpark, 3,300 sf outdoor pool area, 8,000 sf conference center, restaurant & bar --- in conjunction with the 68 wholly-owned condos in the rental pool.



The 268 units are expected to stabilize at 75% occupancy and \$190 average room rate (including waterpark premium). The capacity of the indoor waterpark was sized based on the addition of 150 more condominiums, bringing the total lodging rental units to 418.



The hotel indoor waterpark planned for Silver Mountain has an entertainment value high enough to draw a majority of its overnight visitors from within 250 miles --- reaching feeder markets of Seattle, Yakima, Richland, Pasco, Kennewick, Walla Walla, Lewiston, Moscow-Pullman, Spokane, Coeur d'Alene, Missoula, Kalispell and Butte.

“Our next steps,” according to Jerry Andres, “are to finalize our master plan for Gondola Base Village, finalize our developer-partner relationships, design a hotel waterpark and implement the plan.” You can reach Jerry at 541-923-0807 or jerry@eagle-crest.com and Brian at 208-755-7661 or brianr@eagle-crest.com.

Becoming a Four Season Resort

Ski resorts have a high dependence on individual leisure guests (skiers) over a short period of time when weather can make or break the financial success of the season. Ski resorts tend not to have any individual business guests as they are located in remote areas off the beaten path of business & industry.

So, the first strategy in becoming a four season resort is to expand both winter and summer activities and facilities for individual leisure visitors --- singles, couples and families with children of all ages, from toddlers to grandparents.

After ski resort owners fill winter and summer, there are still spring and fall seasons left to fill.

So, the second strategy in becoming a four season resort is to expand both spring and fall business with groups. Ski resort owners, managers and marketers need to attract meetings & conventions in order to reach their full potential. Corporate conference planners and association executives tend to book their meetings in the spring and fall. And they will come and stay on weekdays when ski resorts have the most rooms available to sell.

Most ski resorts do not have the luxury of closing down for 8 months while expenses continue to mount for 12 months. Expanding summer recreation is not the only answer. Building an outdoor or even an indoor waterpark is not the only answer. When Coy and Haralson make hotel-waterpark product recommendations, they almost always include an indoor-outdoor waterpark combination. And they recommend the right amount of conference space, so the resort group sales team can sell rooms during low periods.

Focus on developing customers that will use your facilities in winter, spring, summer and fall. Target customers that will use your facilities not only on weekends but on weekdays when many rooms go empty.

In a ski resort, the experience being offered to customers changes with every season. Every season and every time period (weekdays versus weekends) needs certain activities and facilities that can be matched to the special interests of different types of customers.

Every time period needs its own marketing plan to generate revenues in a four season resort.

Hotel Waterpark Resort Research & Consulting (HWRRRC) was formed by Jeff Coy of JLC Hospitality Consulting of Rochester MN and Bill Haralson of William L. Haralson & Associates of Richardson TX for the purpose of assisting hotel-resort-waterpark owners and developers. You can reach Jeff Coy at 507-289-7404 or email jeffcoy@aol.com or go to www.jeffcoy.com. You can reach Bill Haralson at 972-231-7444 or email wharalson@aol.com or go to www.wlha-inc.com.