State of the Industry 2012

Contributed by Sarah Tory

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For skiers all across North America, the winter of 2011-2012 stands out as one of the worst ski seasons in recent memory. The Aspen Times reported Rob Katz, CEO of Vail resorts calling it, "the most challenging winter in the history of the United States ski industry." He makes a bold statement, but one that's echoed by Eastern and Western skiers alike. Not surprisingly, the economic repercussions were felt by almost everyone in the industry, from resort operators to ski retailers. But although the winter was tough, there are plenty of signs the industry is thriving. Growing numbers of skiers are heading into the backcountry and the number of homegrown small-scale ski manufacturers who cater to this segment of skiers has exploded in recent years.

So just how bad was the winter of 2011-2012? The lower 48 states experienced the fourth warmest winter (defined as December, January, and February) since record keeping began over a century ago. Twenty-seven states had temperatures that ranked among their tenth warmest ever and California had its driest winter on record. Meteorologists attributed the unusually mild weather in much of the United States and southern Canada to the behavior of high-altitude westerly winds called the jet stream. The polar branch of the jet stream kept cold, Arctic air bottled up farther north than usual.

The 2011/12 season was marked also by the lowest national average resort snowfall since 1991/92, the second lowest snowfall in 21 years of available data. According to a Snowsports Industries America (SIA) survey, 50 percent of responding ski areas opened late this season and 48 percent closed early. Every region experienced a decrease in overall days of operation with particularly significant declines in the Southeast, down 13.9 percent; the Northeast was down 13 percent, the Pacific Southwest was down 11.7 percent, and the Midwest was down 10.6 percent. More modest declines in total days of operation were experienced in the Rocky Mountain and Pacific Northwest regions, each showing a 0.8 percent decrease.

Warm temperatures and a lack of snow across much of the U.S. and Canada meant that fewer people went skiing last season. North American ski resorts experienced a decline in skier visits from 2011which saw a record breaking 60.5 million people hit the slopes. Last winter recorded 51 million skier visits, a decrease of 15 percent and the biggest drop seen since the 1981/82 season when the industry experienced a 17.6 percent reduction in skier visits.

Not all ski areas were adversely affected, however. In the north of the country where snowfall was better, Big Sky, Montana reported record business and in Canada, Whistler reported that business was up 5% despite a very strong Canadian dollar. The destination resorts, those that people come to for a holiday, did better than resorts that rely primarily on local business. Places like Aspen and Vail fared better than the national average with Aspen recording only a 1.8% decrease in skier visits and Vail recording a slightly higher 7% drop.

California resorts were some of the hardest hit, with Lake Tahoe not getting an inch of snow in December, a dry spell unprecedented since the 19th century. Exacerbating conditions was the dearth of snow in big cities. Hotels in the Tahoe area collected $581,000 less revenue that month compared with the year-earlier period, a 3.8 percent decline, according to Smith Travel Research. Even when snow did arrive, with nearby cities still experiencing unseasonably warm, dry days, resorts continued to suffer. This effect, known as, "Backyard syndrome," stipulates that if you can't see snow in your backyard, you won't think of going skiing.

For retailers, the decline in skier visits made for a tough season. "Bad snow is even worse than a bad economy," says Mike Hattrup of K2. According to the SIA and Leisure Trends Group report, retail sales in the snowsports category fell 12% in terms of units sold and 4% in terms of dollars sold. Jarden Corp., which owns Marmot, K2, Line, Full Tilt, Marker and Volkl among other brands, reported that revenue from its outdoor segment dropped about $7 million.

The decline in sales has left many retailers with excess inventory from last season, meaning they have less money to buy next year's models. Even companies that managed to sell most of their stock are not immune. "It's the surplus of our competitors' products on the shelves that's going to impede our retailers from buying Rossignol's products," says Nick Castagnoli of Rossignol. Retailers will be forced to sell last year's products at steeply discounted rates, meaning the 2012/13 models will have a hard time competing. "The problem with ski industry," notes Adam Howard, editor of Backcountry magazine, "is that when it's a good snow year it helps the industry for one year, but a bad snow year hinders it for two."

Judging by the record of past seasons, however, the ski industry is capable of bouncing back. The 1980/81 season remains the biggest decline on record when a lack of snow led to a 17.6% decline in skier visits from the previous season. The following year saw a 22 percent increase in skier visits, demonstrating that the industry has shown considerable resilience in the past. After the struggles of the 1980/81 season, many resorts substantially increased their investment in snowmaking technologies in an effort to help insulate themselves from poor weather. The losses experienced by ski areas last winter could result in a similar push and may also increase the emphasis on the season pass sales that buoyed resorts such as Vail and Aspen.

The steady rise of independent ski makers over the past few years is another reassuring sign that the industry will recover. Boutique labels such as DPS and Prior have cropped up all over North America, a trend that has occurred in spite of rising concern over the global warming and its effect on winters.

While many large ski manufacturers may have been hurting last season, DPS, a change boutique company based out of Salt Lake City, avoided the pain. They had long waiting lists for their most popular models and sold out through direct channel before the end of November. Philip Drake, marketing manager for DPS, credits some of this success to luck, "people bought everything before they knew it was going to be a bad season."

Nonetheless, like the beer industry, the ski industry has experienced a major transformation in the last 20 years. Anheuser-Busch and Miller-Coors still control about 81% of the beer industry, but in the last 15 years, craft brewing has gone from one percent of the overall beer market to almost six percent in 2011. Similarly, the top five ski manufacturers—Atomic, K2, Rossignol, Salomon and Volkl—still control 71% of the roughly $533 million ski market, but smaller craft ski builders have emerged in North America, filling the void left by the larger companies who have moved their manufacturing to Europe and China.

Both industries have been influenced by the trend toward high-end quality and local production. Beer consumers are now looking for a brew offering more than just fermented corn juice buzz, so they seek out the "triple-filtered" and "triple-hopped" specialty varieties offered by craft breweries. A comparable shift has occurred in the ski industry. Drake sees the overall trend as a reflection of the larger companies' complacency and lack of innovation. "Historically, larger companies have been complacent in progressing design and technology. DPS and other upstart companies came to address the problem head on – we can do innovative things that the big manufacturers aren't doing right now." The numbers echo Drake's statement. SIA reports that, as more skiers gravitate to handcrafted, high-end skis made in the U.S., boutique ski makers could capture another 3-5% of the ski market in the next 5-10 years.

The growth in backcountry and "side-country" skiing over the last decade can also be attributed to the success of small ski manufacturers. With sales of AT and telemark equipment rising, it's no secret that more and more skiers are headed outside the resort boundaries. Rogers Pass, a top backcountry ski destination in central B.C. recorded 16,663 visitors last winter, and since 2009, backcountry visitation has risen 124%.

Innovations in ski design over the last ten years, especially the new rocker technology, have pushed backcountry skiing from a fringe pursuit to the mainstream, fueling the growth of small labels, like Prior, a company based out of Whistler, B.C. Like DPS, Prior tapped into the big-mountain, free-ride market early. They started out in 1990 and have recognized the incentives this community holds.

"The skiers who routinely go into the backcountry are an experienced and savvy crowd," says Gus Cormack, of Prior. "They appreciate the higher quality offered by boutique ski makers and are not as concerned with finding bargain basement prices."

Drake echoed these sentiments. "Even if it's a shitty year, backcountry skiers are more likely to spend money on what they want because they're passionate about the sport. They're waiting for that storm to come and they want to have the best tools that they can possibly have."

That's good news for the ski industry. With more skiers hooked on backcountry skiing, that means more money spent on specialty skis and more money spent on ski vacations. Backcountry skiers are the types who will often travel for skiing. If storms hit the Pacific Northwest, they'll pack their bags and head to where there is snow.

Even brands traditionally known for their alpine skis are looking to tap into the backcountry market. Dynastar, owned by Rossignol has come out with a new backcountry line. Sister company, Lange, known for its high-performance racing boots, is offering a more robust backcountry boot, geared towards hard charging skiers. The goal, states Rossignol's Nick Castagnoli, "is to give skiers a boot light enough to tour in, but one that doesn't sacrifice downhill performance."

Although warmer winters with lower snowfalls are expected in the coming years, the ski industry is looking remarkably confident. Early readings on sales for 2012/13 season passes have been promising. For DPS there's already strong momentum going into next season. "The waiting lists, customer inquiries, and overall buzz are all there," says Drake, indicating that there won't be much of a hangover effect from last winter. The NSAA notes that guest service satisfaction is at an all-time high and recent study revealed that outdoor activity participation rates are on the rise in the U.S. The growth in backcountry skiing over the last decade indicates that skiers aren't giving up on winter yet and if the expanding market for homegrown ski makers is any indicator, the industry looks poised to surge ahead.

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