

2011 Update of the Original Report prepared by: FOCALPOINT AND Z-SPORT in May 2000

EXECUTIVE SUMMARY

Many things have changed since *Growing the Snow Sports Industry* was first published in May 2000, but as the saying goes, the more things change, the more they stay the same. In 2011 SIA revisited the report and determined that, overall, the findings remain relevant. The SIA Snow Sports Insiders Panel was used to re-check consumer's perceptions about snow sports and to look for attitudinal changes that may affect buying behavior and participation. We used existing research on the current state of the snow sports market including **NSAA's** Model for Growth, The Kottke End of Season Reports (2001-2010), **NSGA** and **PAC** Participation data, the 2010 Census, **SIA Snow Sports RetailTRAK™** retail market data produced by **The Leisure Trends Group** and information from various meetings on growing participation in snow sports to update the report. The following report is the result of our reexamination of *Growing the Snow Sports Industry*, first published in May 2000.

In 1999, this project was designed to identify specific, actionable marketing strategies and tactics that could be adopted by the snow sports industry to break through to success. The four major steps businesses must take to succeed in the modern snow sports market identified in May 2000 still apply 11 years later:

1. Know the customer – understand their needs, desires and aspirations, how they are changing and how they differ based on the consumer's demographics, psychographics and purchase behavior.
2. Know yourself – understand how the snow sports industry is perceived by its consumers and how you might broaden that meaning to meet consumer needs better than your competition.
3. Brand your differences – establish the snow sport industry's powerful points of differentiation that make it stand out, to emphasize its unique benefits.
4. Focus your marketing efforts like a laser beam – target marketing resources with discipline and insight, aiming marketing messages and offers to consumers with the greatest potential value.

Then and now, there is nothing magical about the marketing challenges we face, or the steps we need to take to succeed. These are the same challenges facing virtually every company in every industry.

THE MORE THINGS CHANGE, THE MORE THEY STAY THE SAME

The following findings from *Growing the Snow Sports Industry* remain relevant in 2011:

Challenges to the snow sports market include:

- Intense competition from many new directions – soccer leagues, basketball, new leisure activities for families and virtual recreation on the Internet.
- A fragmented market with tougher consumers who want greater quality products, better service, customized to their needs, all at a great price.
- A glut of messages – in May 2000, every brand competed for share of mind through a plethora of new media channels including niche print, 500 cable channels, and infinity.com. In 2011 these consumers have more access to information than ever, but not all information is good information and brands must find new ways to attract consumers not only to their products, but to the right information about their products and their brands. Now, social media outlets like Facebook, YouTube and Twitter have changed the marketing game; brands have far less control over consumers' impressions of their brand.
- A new economy – in May 2000, change came “at the speed of light,” the report stated that in 2000, consumers with instant access to market information and limitless product choice could build and destroy powerful brands virtually overnight. In 2011 that cycle has accelerated to superluminal (faster-than light) speed. Today, consumers learn about, and adopt innovation even faster than “virtually overnight.” In 2011, they also use social media to talk about the products they are trying and buying. Today's social media has changed the way consumers interact with brands and products, and their opinions are now public fodder that affect other consumers' decisions in a way that marketing campaigns cannot.

The May 2000 report included the following steps to change our approach to the marketplace in several fundamental ways. Similar to the primary findings in the original report, these fundamental steps remain spot-on in 2011. We must:

- Develop a unified understanding of the marketing problems and opportunities so that our industry of many voices has collective power.
- Identify the market segments that hold the greatest “acceleration potential” –business can no longer afford to “shotgun” its marketing messages, we must “rifle shot” our messages to the most receptive audiences.
- Focus our marketing resources on those productive audience segments – where our dollars will have the greatest impact in increasing snow sports interest, participation and sales.
- Apply those resources in an integrated, efficient manner – making every marketing dollar work harder, because waste is deadly.

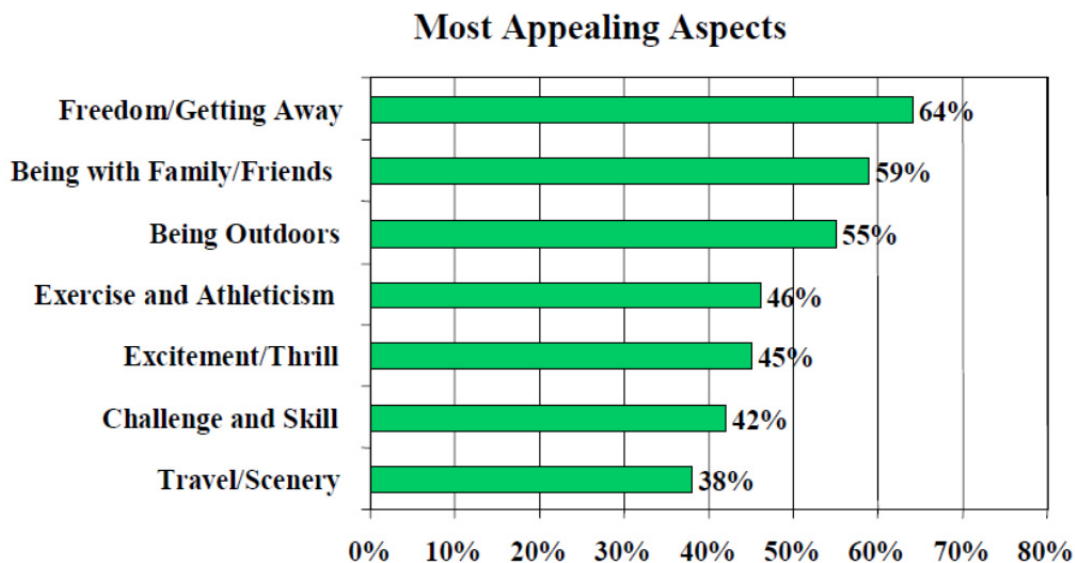
SNOW SPORTS INDUSTRY MYTHS AND FACTS

This report was, and is all about staying dynamic in an ever changing market. The critical first step in learning to be dynamic is to explode myths that bind us to the obsolete remedies of the past. Below you will find 5 widespread industry myths that remain in existence in 2011, along with the facts that debunk them.

Myth #1:

Most skiers/snowboarders aspire to be “extreme” or most demanding aspect of the “sport.”

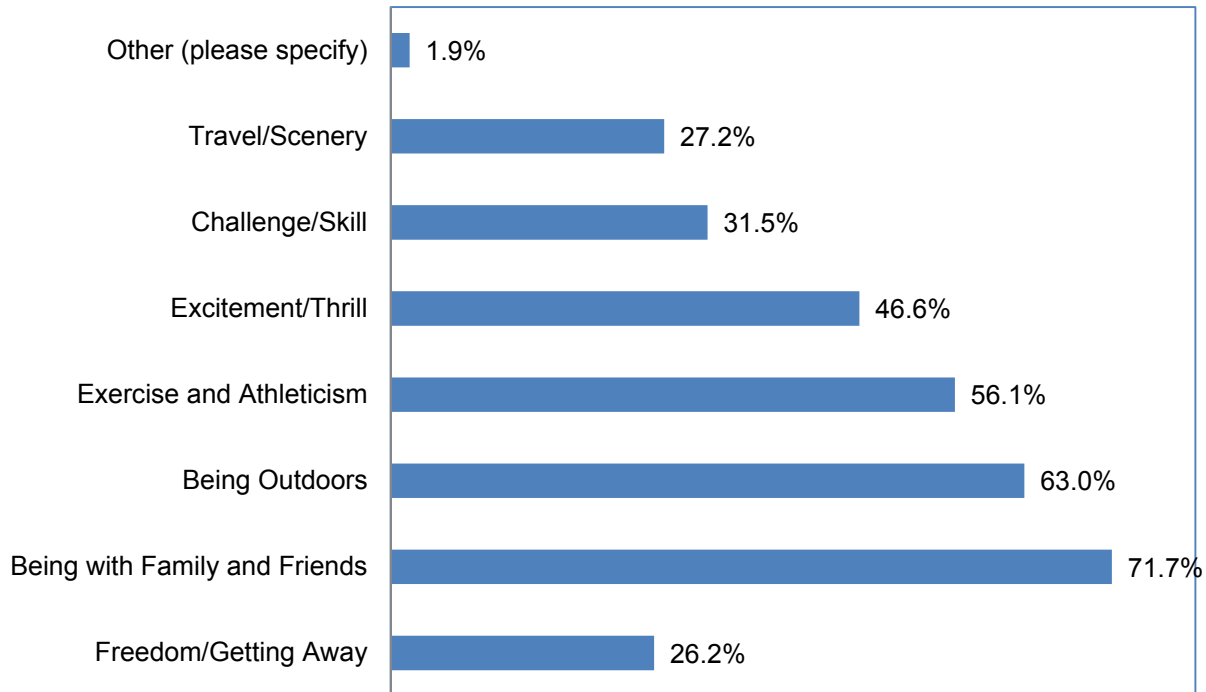
Fact: The “average” skier/boarder is less ambitious, and seeks the more intrinsic rewards of a wholesome, lifestyle “activity.” In 2000, focus group research indicated that the overwhelming majority of snow sports participants did not reflect the preponderance of snow sports imagery, and that remains the same today. In a snow sports market segmentation study conducted by FocalPoint in 1999, consumers were asked the question “What benefits to skiing/snowboarding do you find most appealing?”



Source: 1999 Segmentation Study by Focalpoint/FSR for SIA

We asked this question again in 2011 and found that consumers' values had shifted toward a more family and friend centric view. 72% said that “being with family and friends” is one of the top three benefits to skiing and riding. This represents a shift away from the desire for “freedom/getting away” cited in the 1999 report. This may be a result of recent economic issues that have forced many to reassess the way they allocate their resources including their time, and their money.

What benefits to skiing and/or riding do you find most appealing? (Choose your top 3 below)
2011 Responses N= 379



In 1999, FocalPoint conducted an in-depth content analysis in which we reviewed scores of print advertisements and website material, which included trade publications, broader periodicals and websites in the areas of travel, vacations, etc. A review of websites, social media, trade publications and broader periodicals indicates that the content has changed little and may be even more skewed toward “Extreme/Air,” “Male”, and “Under 30” years of age. Furthermore, the critical marketing segment -- families, is almost entirely left out of the imagery.

How We're Portraying Ourselves

Print and Web Content Analysis

Print & Web	Extreme/Air	Male	Under 30	Family
Editorial	77%	83%	85%	5%
Equipment	87%	90%	98%	0
Resorts	60%	67%	86%	25%

Source: 1999 Magazine/Web Content Analysis by Focalpoint for SIA

In 2011, a quick Google search of “skiing” images showed first page results with 20 photos of persons skiing. Among the photos, 18 showed men skiing, 1 had a woman skiing, 1 was just a big mountain, 3 were aerial and one showed 2 men cross country skiing. The same search on “snowboarding” resulted in 22 photos of men snowboarding, 17 were aerial, no women, and no families are shown in the first 100 photos that come up in the search.

Placing women in future marketing materials is important to make the sport more accessible to this group, especially beginners. When the images of snow sports are seemingly extreme and hard to reach, average women aren’t pulled into the message. By creating materials that are women-specific, family oriented or simply less “extreme” it is likely that women will be more encouraged to come out to the mountain (and bring their families with them) in the winter months.



Myth #2:

The dominant barrier to increased skier/boarder participation is high-cost.

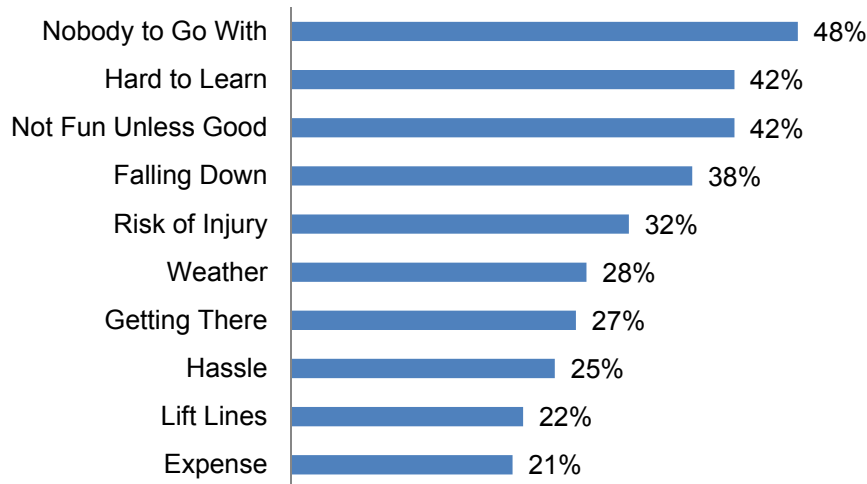
Fact: The motivations for, and barriers to, skiing and snowboarding, involve a more complex value proposition - - including time, quality of experience, competitive interest and proficiency.

This myth exists in many industries and many product categories because it is the first thing that you expect; often consumers will volunteer price or cost as a barrier for their first, most superficial response. However, in the research conducted in 1999, FocalPoint and ZSport dug deeper and discovered that “expense” was well down the list of “negative” aspects of skiing and snowboarding.

That led us to ask lapsed snow sports participants the question on an annual basis, beginning in 2007/2008, to determine if economic factors, like the Great Recession of 2008/2009, a continued surplus in the job market that has led to chronically high unemployment and flat wage growth, and rock bottom consumer confidence might change this fact. Economic factors had an impact on the market in 2008/09 but as the market recovered and wealth stabilized the

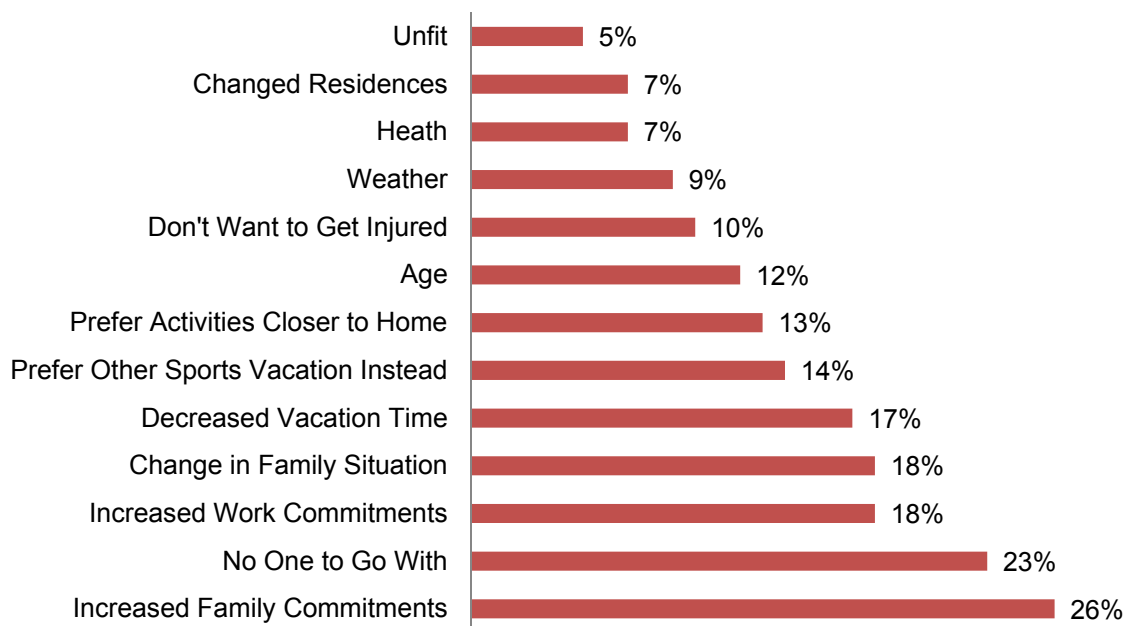
impact of the economic downturn began to dissipate. As a result, the 2010/2011 season set sales and participation records.

Negative Aspects of Snow Sports in 1999



The Results in the 2011 Participation Study

Reasons for NOT Participating in Snow Sports During the 2009/2010 Season



Note that “expense” did not even make the top 15 in the list of reasons lapsed participants chose to describe why they had not participated.

Myth #3:

There is a fruitful marketing opportunity with non-skiers/snowboarders particularly among “under-served” populations who have never skied at all.

Fact: These misnamed “potentials” not only must be lured to the slopes to try snow sports, but they carry the additional marketing burden of needing to be sold on winter vacations, cold weather activity and adopting an activity outside their peer group.

In fact, the greatest opportunity lies in persuading people who have already adopted skiing/boarding to do it more...or those who are ***lapsed*** skiers/ boarders to take it up again...than it is to convince people who have never skied/snowboarded before, that they should begin this new sport.

The **NSAA** Model for Growth 5 year progress report published in 2006 indicates that the conversion rate for beginners is approximately 16%. Spending scarce marketing resources trying to get non-skier/riders into the market is clearly less effective considering that even if your message convinces them to try snow sports, most will never return after their first day.

NSAA says, “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.”

2011 SIA Participation data indicates that there are 10.5 million Americans who consider themselves skiers and/or riders but have ***lapsed*** due to increased family obligations, nobody to ski or ride with and other issues that kept them from participating (see chart above). This presents the industry with a target market of 21.2 million active participants and 10.5 million lapsed participants.

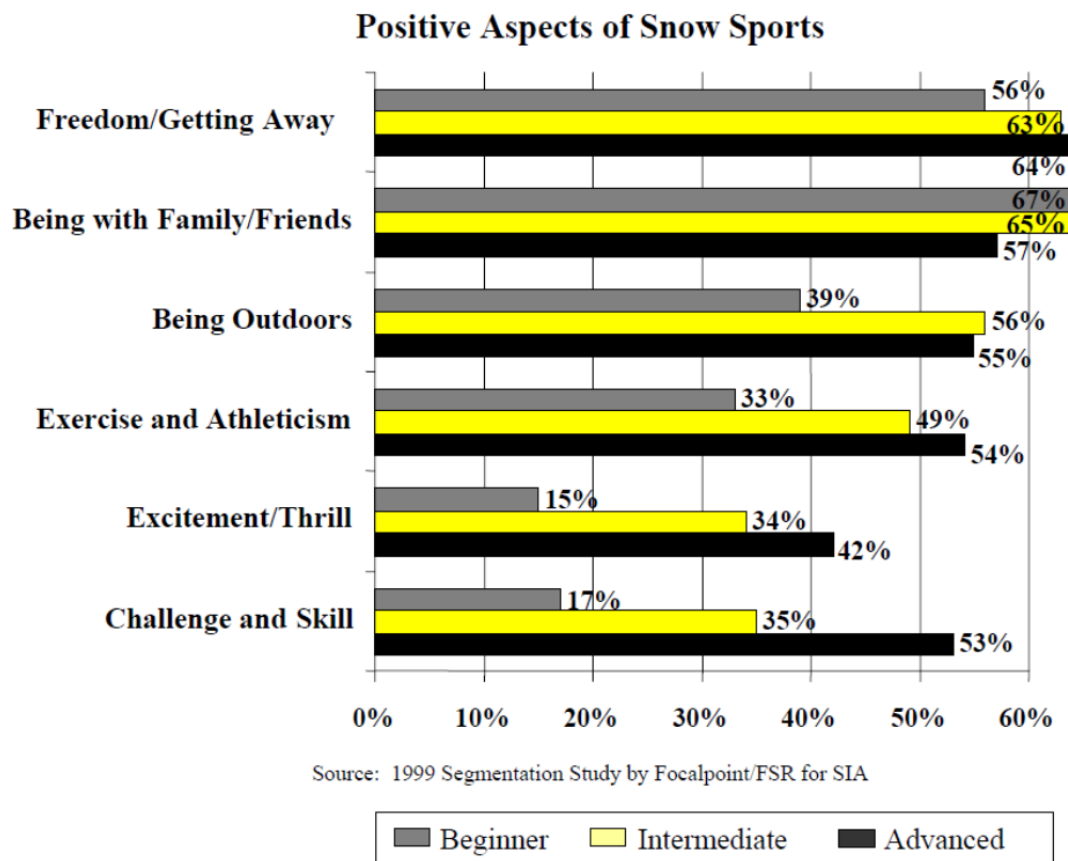
Myth #4:

There is a single, silver bullet advertising message that could appeal to and motivate the vast majority of current and potential skiers/snowboarders to participate more.

Fact: This diverse consumer base of skiers and boarders, with varying interests, attitudes, ages and proficiencies, requires multiple targeted messages. We would all like to believe that there is such a simple, mass advertising solution, but whether we are selling fast food, automobiles, computers or snow sports, the mass market is dead. Our research shows that a majority of skiers/boarders do perceive some common benefits to the activity. However, the emphasis and presentation of these benefits must vary depending upon the participant’s proficiency, whether they are a day or destination participant, whether they have young families, etc.

The chart below, from the 1999 study shows the percentage of skiers/boarders of different proficiencies who rate different aspects of the sport as “highly positive” (8-10 on a 0-10 scale). You will note that while there are some commonly agreed upon positive benefits, the

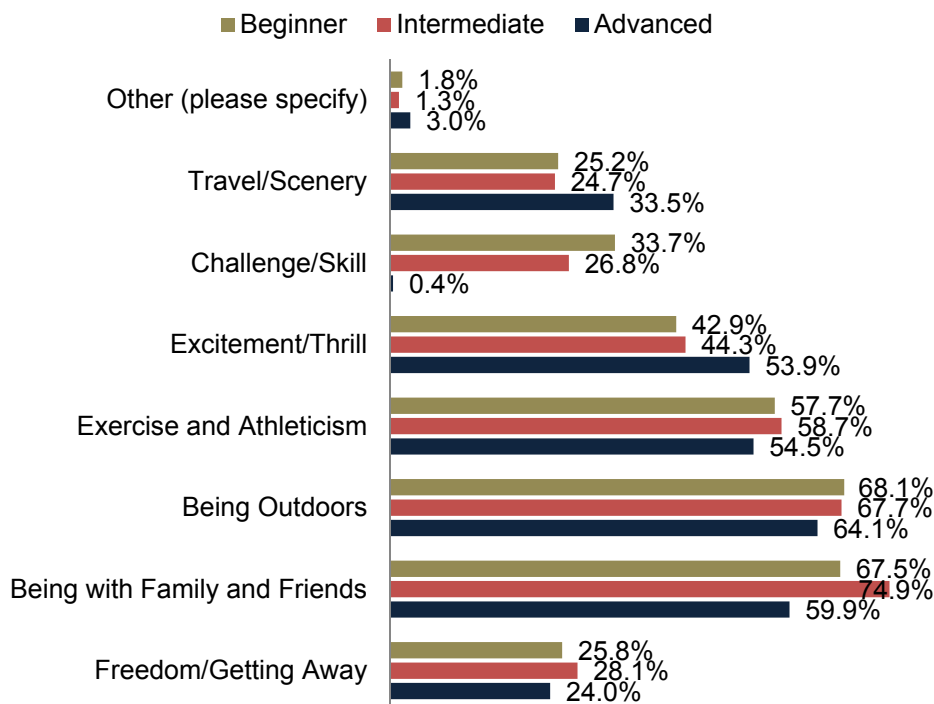
percentage of consumers who rate them as highly important varies depending upon proficiency



The same question was asked in 2011 of the SIA Consumer Panel. The results indicate that advanced participants continue to value the thrill and excitement of snow sports more than other proficiency groups, and beginners and intermediates most enjoy being with their families and friends on snow.

When considering targeting your marketing messages to different proficiency levels, also keep in mind their age and gender. Women, men and children all consume messaging and media differently, so it is imperative that you remind yourself to think about your specific audience and who you want to respond to the message in order to have successful marketing campaigns and make it worth your while.

2011 Positive Aspects of Snow Sports by Proficiency Level (N = 379)



Myth #5:

Awareness of shaped skis, other “make it easier technologies” and their benefits are quite high.

Fact: In 1999, most skiers were either unaware of this new technology or its relevant benefits. In 2011, the onslaught of social media makes it much easier for word to get out about the benefits of new technology and innovation in snow sports equipment. Core groups who are most likely to be early adopters are also core members in online communities focused on snow sports on social media sites including LinkedIn, Twitter, Facebook, YouTube, and on blogs dedicated to snow sports. These core group members tend to be early adopters and principal influencers and they have the ability to spread the word fast about new technology.

In 2011, participant’s tweet/blog/Facebook comment about their demo equipment regularly. Consumers of all levels of proficiency are sharing their opinions in public forums. This can be positive and/or negative depending on the consumer’s knowledge of the product they tried, where they tried it, their mood, their writing ability and many other variables outside of the sphere of influence of the product maker. That does not mean that allowing consumers to try new equipment before they buy is not recommended, but it can be a double edged sword in the world of instant information and social media addiction. The more a consumer knows before they try equipment, the more aligned their expectations are with the intended use of that product. Realized expectations are key to a positive experience and more positive public

feedback. If a well-informed consumer was key in 1999, then keeping them well informed is absolutely crucial to a brand's health in 2011.

Finally, we asked our consumers of all proficiencies to rank the most appealing things the industry could do to get them to ski/snowboard more. In 1999, allowing them to "try new equipment free" was near the top of each group's list.

Things Industry Could Do to Motivate More Frequent Snow Sporting

	Skiers				Snowboarders		
	Adv.	Int.	Beg.	Lapsed	Adv.	Int.	Beg.
Try new equipment free	1	1	2	1	3	2	1
Season passes, multiple resorts	2	2	6	3	2	1	2
Individual season passes \$200	3	4	7	7	1	4	4
Guaranteed good experience	4	3	3	2	4	3	3
Family season passes -- \$595	5	9	8	9	5	9	8
Lessons with money-back guarantee	6	5	5	5	8	7	5
Season passes on installment plan	7	10	10	10	6	5	10
Bus transportation	8	7	9	8	7	6	9
Lift ticket, lessons package	9	6	4	9	9	8	7
Other activities; sledding, movies, shopping	10	8	1	4	10	10	6
Free quality day care	11	11	11	11	12	12	11
Valet parking	12	12	12	12	11	11	12

Source: 1999 Segmentation Study by Focalpoint/FSR for SIA

We asked the same question of participants on the SIA Consumer Panel in 2011. Seasons passes good at multiple resorts was the most popular response regardless of whether the participant is a skier or a rider of any proficiency level. We found a significant decrease in the desire for valet parking, and a high degree of desire among beginning skiers for lift ticket and lessons packages, a desire not necessarily shared by beginning snowboard riders.

2011 Things Industry Could Do To Motivate More Frequent Participation

	Skiers				Snowboarders		
	Adv.	Int.	Beg.		Adv.	Int.	Beg.
2011 Consumer Panel Survey (N=379)							
Try New Equipment Free	47.2%	48.5%	38.1%		47.1%	44.2%	59.4%
Season Passes Good at Multiple Resorts	77.8%	68.1%	66.7%		58.8%	69.8%	71.9%
Individual Season Passes Under \$300	46.5%	35.0%	23.8%		47.1%	32.6%	42.2%
Guaranteed Good Experience	16.0%	22.1%	14.3%		29.4%	9.3%	12.5%
Family Season Passes Under \$800	54.2%	46.6%	38.1%		41.2%	39.5%	45.3%
Lessons with a Money Back Guarantee	3.5%	3.7%	4.8%		5.9%	2.3%	4.7%
Season Passes on Installment Plan	16.0%	16.6%	23.8%		29.4%	20.9%	18.8%
Bus Transportation	4.2%	4.9%	0.0%		11.8%	4.7%	4.7%
Lift Ticket, Lessons Packages	17.4%	25.8%	57.1%		23.5%	16.3%	21.9%
Other Activities: Sledding, Dining, Shopping, Movies, Etc.	17.4%	22.7%	42.9%		11.8%	16.3%	29.7%
Free Quality Day Care	7.6%	1.8%	14.3%		5.9%	7.0%	6.3%
Valet Parking	3.5%	2.5%	0.0%		11.8%	4.7%	3.1%

Source: July/August 2011 Consumer Panel Survey

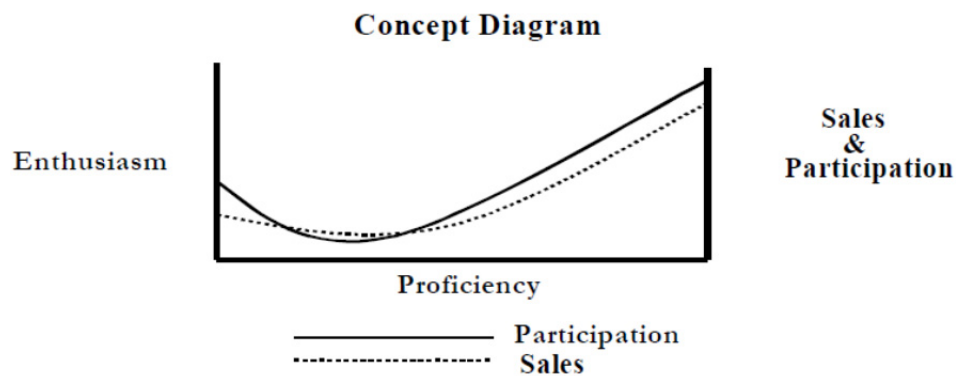
KEY FINDINGS 1999 - 2011

In 1999 we identified what we believed were the five most strategically significant and actionable findings from this entire research project. We made an effort to explain the significance of each of these findings in strategic conceptual terms, supported by data from our quantitative research. Our data in 2011 continues to support these key findings.

Key Finding #1:

There is a strong relationship between skier/boarder proficiency, enthusiasm, participation and sales.

This is very close to a “formula for success.” The data suggests that as a consumer’s proficiency at skiing/boarding increases, it pulls with it enthusiasm, participation and sales. All other things being equal, investments in equipment, season passes, snow sports destination vacations, apparel and accessories increase with a participant’s proficiency level. This finding, that proficiency equals higher sales, is illustrated by the conceptual diagram below



Source: 1999 Analysis/Concept Development by Focalpoint for SIA

This diagram is relatively straightforward, after the natural dip in enthusiasm during a skier or rider’s early “honeymoon” with the activity, enthusiasm, proficiency and sales rise together. As the conceptual illustration above suggests, one aspect of this “formula for success” is enthusiasm, which appears to increase with proficiency. In 2011, results from the Participation Report and the SIA Consumer Panel prove that this relationship remains strong.

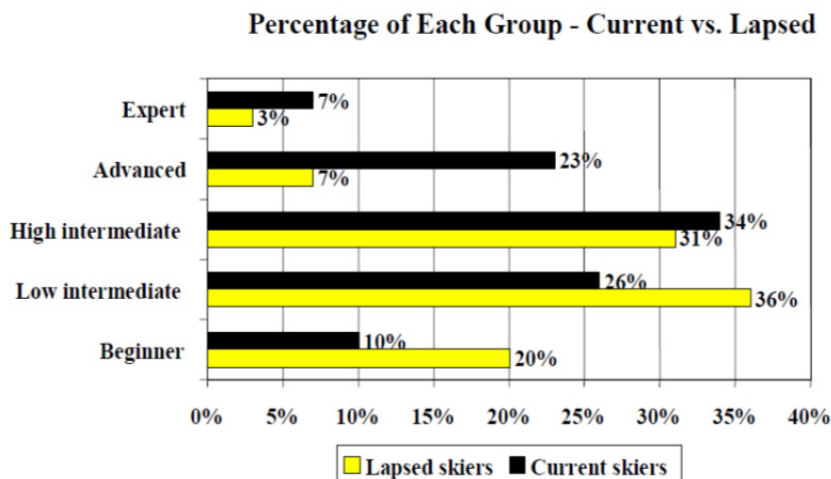
However, consumers with high levels of proficiency and enthusiasm cannot be ignored because we assume they will buy. **NSAA’s** review of progress on “The Model for Growth” very appropriately points out that, “Conversion and retention don’t happen as a result of the consumer developing a kind of unconditional love for snow sports.” 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 a relationship with the consumer that engenders within them feelings of attachment, devotion, faithfulness and even affection for your resort.” The same can be said of equipment involved in snow sports. Purchasing snow sports equipment demonstrates commitment, and data indicates that the more frequently a consumer participates in the sport, the more likely they are to purchase equipment. Equally, participants who own their own equipment are most likely to have the most skier/rider days and be more proficient skiers and/or riders.

Key Finding #2:

The industry is bleeding new triers and participants of low proficiency.

Every industry must grapple with attrition -- customers that fall away over time. However, what is very clear in the snow sports industry is that our customer attrition is not scattered throughout skiers/boarders of all proficiencies; rather it is highly concentrated among those skiers/boarders of lower proficiency.



NSAA's Conversion Cookbook, last updated in 2009, is designed to help resorts understand and better cater to beginners. The conversion rate for beginners has increased slightly from 15% in 2000, to 16% in 2006. It includes **“10 Recommended Strategies for Boosting Beginner Conversion.”**

Additionally, **NSAA** instituted the **“Conversion Cup”** contest in 2010/2011 to reward ski areas that instituted effective strategies and tactics to increase conversion rates. Applications are judged on a number of key conversion indicators including:

- Increases in Level 1 lesson volumes;
- Level 1 lesson volumes in relation to total skier and snowboarder visits;
- Quantifiable success of multi-lesson packages;
- Season-to-date sales and repeat sales data on specific “learn-to” packages designed to drive repeat visitation;
- Overall data collection capabilities and sophistication;
- Marketing ingenuity, creativity, use of new media, etc.

The first winner of the Conversion Cup award was Snow Time Inc., owners of three ski areas in Pennsylvania including Liberty Mountain, Ski Roundtop and Whitetail Resorts in Pennsylvania.

SIA maintains a website, **Snowlink.com**, the consumer hub for all things snow sports. **Snowlink.com** meshes with the **NSAA Conversion Cookbook's** to offer an overview of history, gear and current trends for Skiing, Snowboarding, Cross Country Skiing and Snowshoeing. Snowlink also connects skiers and riders with retailers, resorts, brands and the snow sports media.

Additionally, the Internet has vastly changed the way consumers get information since 2000 when *Growing the Snow Sports Industry* was first published. According to the SIA consumer panel and other sources, more than 85% of snow sports consumers use the Internet as their primary information source about snow sports, and the number climbs higher if you factor in interaction on social media on which people share opinions online.

Websites like **Snowlink**, Resort websites, brand websites, and retailers' websites are excellent locations for information.

Key Finding #3:

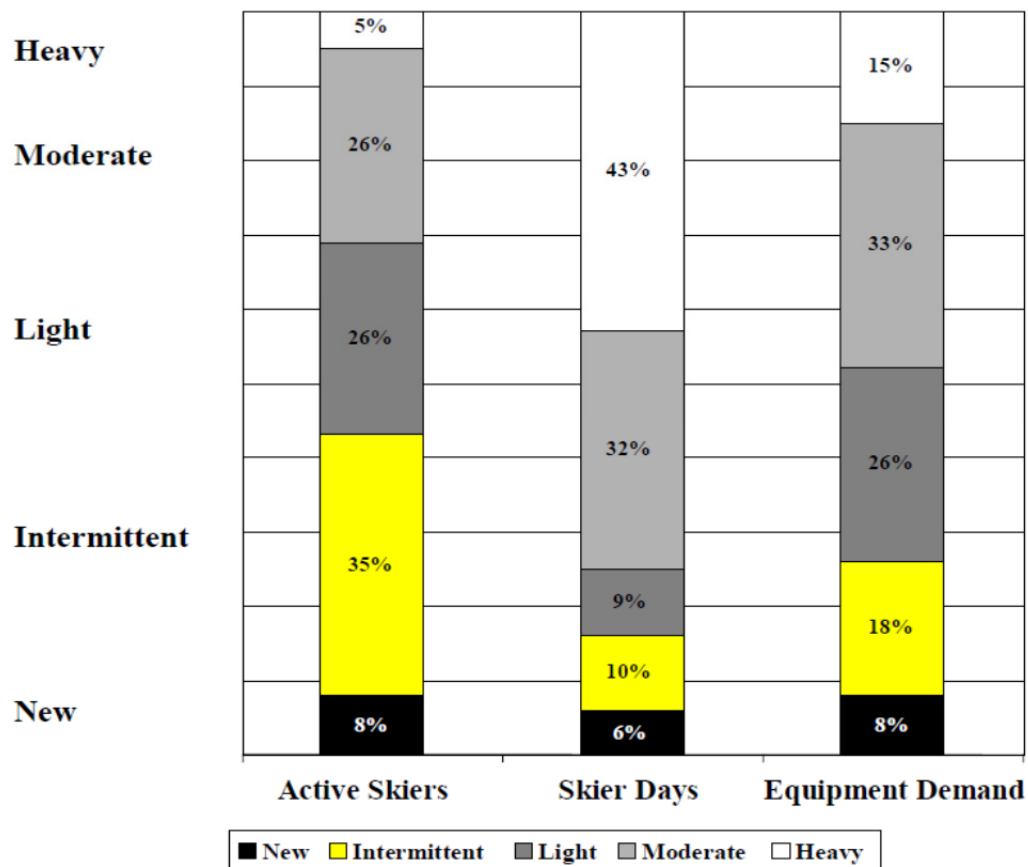
The greatest marketing opportunity in the snow sports industry lies in reactivating lapsed and upgrading light and moderate users.

It is true in virtually every industry that the most valuable consumers are the heavy users, which in this industry means our "avid/expert/advanced" skiers and boarders. This is a group we don't want to lose and to whom the industry currently focuses an enormous amount of its attention and financial resources.

However, if we then want to look at how to grow our sport and where we might find the greatest potential to accelerate skiing/boarding participation and sales, it is not among the most avid, but among the light users (lower intermediate and beginner) and "intermittent" (lapsed) skiers and boarders.

As the following chart from previous industry research demonstrates, the most active skiers generate the most "skier days" within our industry, but not the most equipment demand. Further, the potential to grow both skier days and sales is most significant among light and intermittent skiers/boarders who are under-represented in both skier days and equipment demand.

Skier Population vs. Participation and Sales



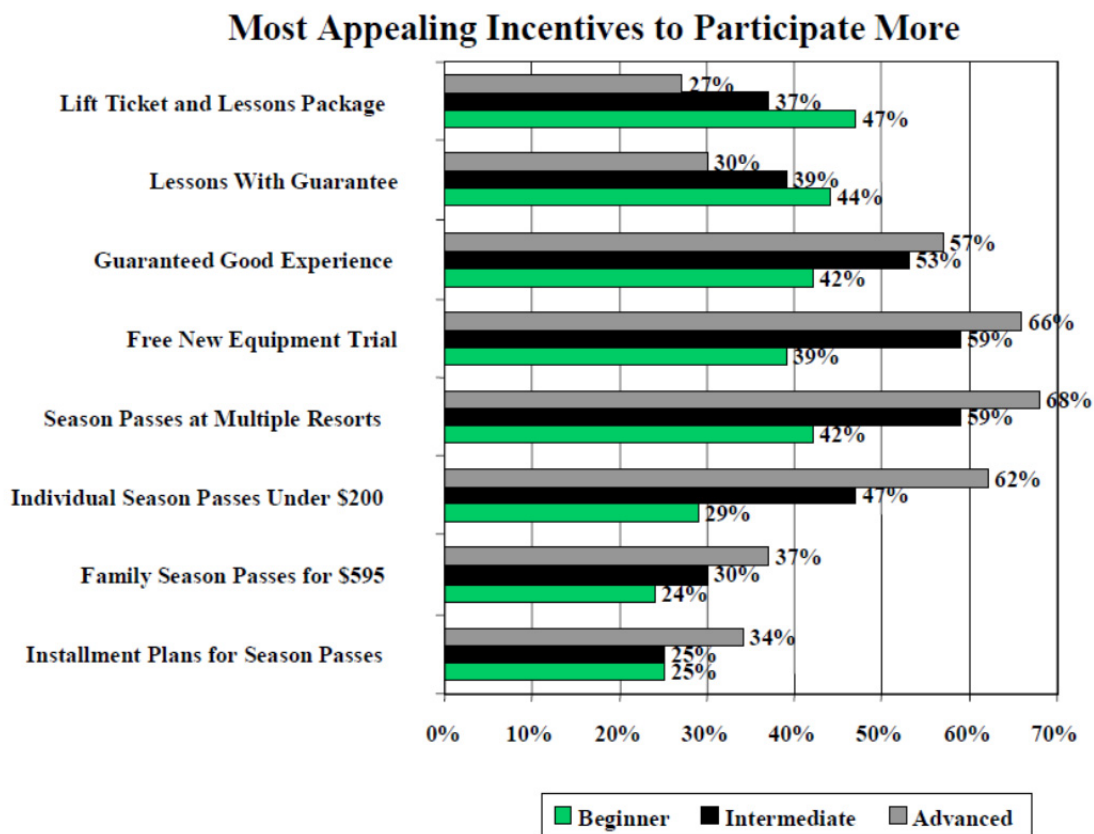
Source: 1999 Segmentation Study by Focalpoint/FSR for SIA

Key Finding #4:

While heavy skier/boarders (avid/experts) represent only 5% of the active skier population, they generate 43% of the skier days and 15% of equipment demand - both disproportionate percentages. However, there is little “headroom” available in their increased participation, as the light and intermittent users (who represent 26% and 35% respectively of skier days) are under-represented in both skier days and equipment demand.

In 1999, we hypothesized that relatively small incremental increases in the proficiency of light and intermittent skiers/boarders could produce a dramatic increase in overall industry skier days and sales. That hypothesis remains valid in 2011.

In order to validate the hypothesis in both 1999 and again in 2011, we asked a number of questions about what could compel current participants to spend more time on snow. In the 1999 chart below, “**Free New Equipment Trial**” and “**Season Passes at Multiple Resorts**” were the two winning incentives.

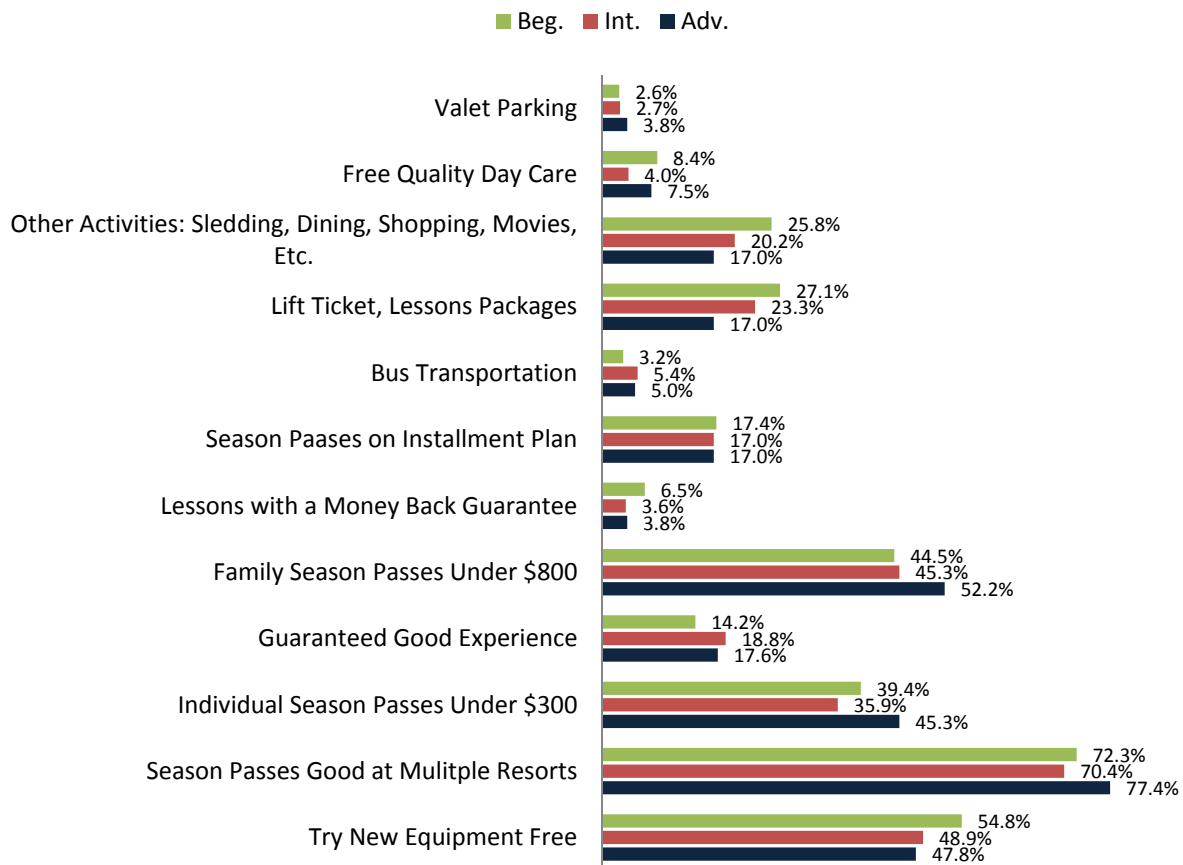


Source: 1999 Segmentation Study by Focalpoint/FSR for SIA

Not only is it surprising that new equipment trial ranks so high, but it ranks above several discount options. Further, we saw that incentives likely to increase proficiency (ski lessons) also were found to be very appealing, particularly, among beginners and intermediates.

In 2011 we asked our Consumer Panel the same question to determine if consumer preferences had shifted in the decade interim. The results below indicate that today, seasons passes at multiple resorts ranks highest as a motivator.

2011 Things Industry Could Do to Motivate More Frequent Participation



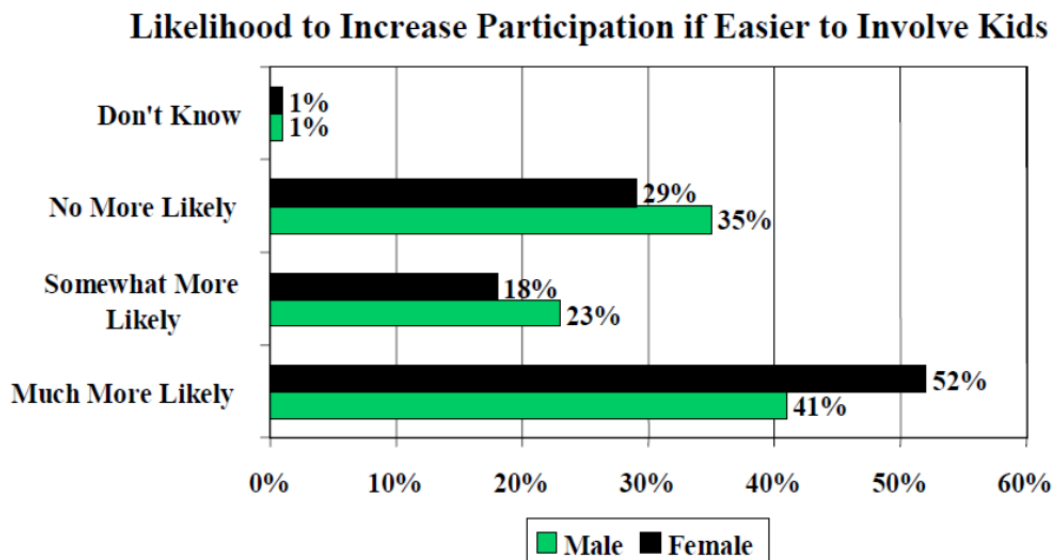
Key Finding #5:

Children can be either a significant barrier or motivator to increased skiing/boarding participation.

Not surprisingly, when we asked lapsed skiers what was the main reason they did not ski in the past twelve months, the two issues that came to the top were “time issues” and “children.” Among snowboarders, a much younger audience who are less likely to have children claimed that “no time” and “too expensive” were the top reasons for not boarding more.

At the same time, when we asked what the main reason these individuals were skiing more in the past five years, the number one reason was “family/children.” This seeming dichotomy was explained by looking a little bit deeper, where we discovered that skiers and boarders with children had a strong desire to involve their children in this activity, but that involvement came with considerable increased complexity, inconvenience and cost. With that, we wanted to know whether skiers/boarders would be likely to increase their participation if it was easier to include their children.

As the chart below demonstrates, nearly two-thirds of consumers who had children under the age of 10 years, said they would be “much more likely” to increase their participation in skiing/boarding “if it were easier to include their children.”



Source: 1999 Segmentation Study by Focalpoint/FSR for SIA

The likelihood of increasing participation was particularly pronounced amongst women, with 52% saying they would be much more likely to increase their participation vs. 41% for men. It is clear that if it were easier for participants to include their children, you would see a significant increase in snow sports participation.

Mothers are the most influential people in a given family, so if you can win the mom's over, the rest will follow suit. One way in particular to encourage that is to promote safety tips for children, so parents, especially mothers can feel more at ease when bringing their kids to participate in an activity that they may view as inherently dangerous.

Key Finding #6:

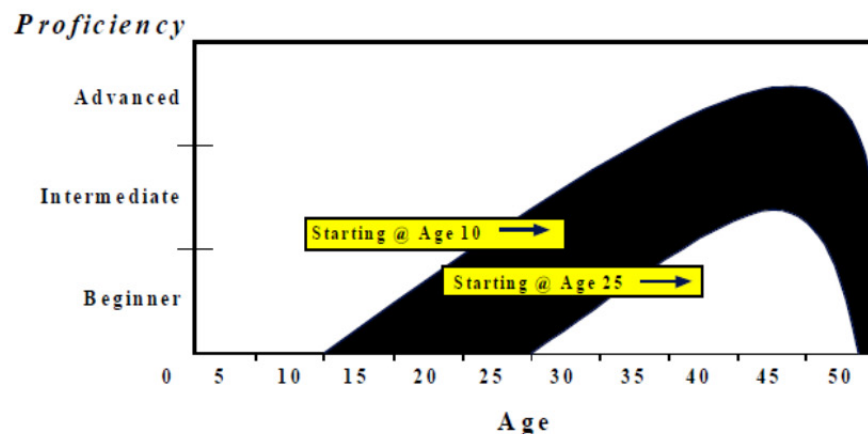
Introducing consumers to skiing/boarding at an earlier age, and sustaining their loyalty, will have an exponential impact on industry revenue.

We all can imagine that if consumers have a longer “career” as skiers/boarders that will mean greater revenue to the snow sports industry. However, we discovered there is a much more significant economic factor at play.

In 1999, we discovered that if consumers are introduced to skiing/boarding in their teenage years or before, it increases not only the number of years they are likely to participate, but their proficiency as well -- which as we learned earlier in this report, drives greater frequency of participation and sales.

The conceptual graphic below illustrates the impact of a skiing/boarding career begun at age 10 vs. age 25. If the consumer starts at the age of 25 they move up to an intermediate level, on average, and then drop out of the sport fairly quickly. But, if the consumer starts at the age of

10, for example, the data seems to suggest that they reach a higher level of proficiency, ski longer, and therefore, make more purchases.



Source: 1999 Analysis/Concept Development by Focalpoint for SIA

The diagram above is supported by a very simple consumer lifetime value model summarized below. We have compared both the average annual expenditures of a consumer starting at the age of 25 vs. one who starts at the age of 10. We made these assumptions based on data that show a direct correlation between proficiency and the age in which you started to ski/board. Therefore, using that data as a guide, we projected the following likely lifetime value of these two groups in 1999 and the totals were updated to 2011 using the SIA RetailTRAK™ as well as the Consumer Price Index.

Lifetime Value Starting at Age 25				
Item*	Retail Price	Units/Year	Years	Total
Skis	\$358	0.15	20	\$1,074
Boots	\$283	0.15	20	\$849
Bindings	\$164	0.15	20	\$492
Apparel (Top & Bottom)	\$218	0.075	20	\$327
Accessories	\$34	0.75	20	\$510
Lift Tickets	\$71	4	20	\$5,680
Food/Beverage	\$34	4	20	\$2,720
Lodging	\$203	2	20	\$8,120
Total				\$19,772
AVG/YEAR				\$989

Source: 1999 Growing the Snow Sports Industry Data updated Using the SIA RetailTRAK™ Data, Average Price in All Snow Sports Shops, The NSAA Kottke End of Season Report 2009/2010, and the Consumer Price Index Calculator				
Lifetime Value Starting at Age 10				
Item*	Retail Price	Units/Year	Years	Total
Skis	\$358	0.2	35	\$2,506
Boots	\$283	0.2	35	\$1,981
Bindings	\$164	0.2	35	\$1,148
Apparel	\$218	0.1	35	\$763
Accessories	\$34	1	35	\$1,190
Lift Tickets	\$71	10	35	\$24,850
Food/Beverage	\$34	10	35	\$11,900
Lodging	\$203	4	35	\$28,420
Total				\$72,758
AVG/YEAR				\$2,079
Source: 1999 Growing the Snow Sports Industry Data updated Using the SIA RetailTRAK™ Data, Average Price in All Snow Sports Shops, The NSAA Kottke End of Season Report 2009/2010, and the Consumer Price Index Calculator				

As you can see, the consumer who starts at the age of 10 has an average yearly value of \$2,079 vs. \$989 for the consumer who starts at the age of 25, and a lifetime value of \$72,758 vs. \$19,772 for the consumer who starts “later in their career.”

Therefore, starting consumers early in the sport must become a high marketing priority because it produces exponential impact on participation and sales over time.

A NEW APPROACH TO THE MARKET

Given these key findings about our consumers, it is clear that we need a deep understanding of our consumers to successfully compete in this economy and grow our industry. While there are a multitude of tactical changes we can make, we believe the four key strategic changes outlined in the original Growing the Snow Sports Industry report continue to have particular merit.

This strategic approach to the market involves a transformation still happening across industries today - - from “**product focus**” to “**customer focus**.” Rather than have our infatuation for the “product” drive our marketing, (e.g., a new snowboard design, or a high-speed quad lift), we must define who we are and what we do through the eyes of the customer. This means that we must better understand the value of the different segments of our customer base, the needs of those segments, and how to align our “products” to meet those needs. Specifically, the research has taught us that we can compete more effectively by making our marketing messages and offers more relevant to our consumers by looking at our industry through their eyes and by working to build their commitment to snow sports. We must look at snow sports as a sum of many consumer segments with different desires surrounding

snow sports and different needs as consumers. **Research continues to indicate that several factors determine these needs including:**

- **Behavior** – whether they are snowboarders or skiers, day or destination participants, renters or owners of equipment, participate in lessons or not, are responsive to promotions;
- **Value/Proficiency:** advanced/expert, intermediate, beginner, lapsed, potential;
- **Demographics:** age, gender, income, occupation, family status; and,
- **Psychographics:** importance of skiing, thrill seeker vs. escape, other activities that they participate in, media interest.

Each of these variables and many more have an impact on our consumers' view of this activity, our marketing offers and messages. The list of variables could be limitless, segmenting our market to literally a segment of one. However, to be practical in our new approach, we should focus our marketing strategies and plans on what we call the **Big 3 Segmentation Criteria:**

- **Behavior:** skier, snowboarder or cross participant, day or destination;
- **Value/Proficiency:** advanced/expert, intermediate, beginner, lapsed, potential;
- **Demographics:** age, gender, income, occupation, family status

The research suggests that these are the three most important variables that we must keep in mind in thinking about our market as a sum of many segments.

Communicate the strengths of the brand “snow sports” in terms relevant to each of the customer segments. A simplistic way to make this point is we must have “different strokes for different folks.” For example, we know that the needs of the destination skier with three children planning a week-long ski vacation are quite different than the needs of a single, 18 year-old, day snowboarder. If we determine what consumer segment is our target audience before we design our marketing offers and messages, we can then anticipate their needs and align our products, messages and offers accordingly.

An illustration of this approach might be demonstrated by the three scenarios listed below:

- Intermediate snowboarder, day-tripper – keep in mind that according the latest 2009/2010 participation data that 20% of male, and 29% of all female snowboarders are in the 18-25 age bracket. Many have indicated that a discounted season pass, possibly a pass that provides access Monday through Friday, and/or night riding, and discounts on weekend passes, or season's passes good at multiple resorts will appeal to them and compel them to ride more. Additionally, they will be more likely to ride more and buy equipment if they have an opportunity to try new equipment for free.
- Infrequent skier with children under 16 years of age – we know that this audience values the snow sports experience because it provides a unique and healthy setting for spending time with their family and friends. Messages to this group should center on the value of that experience. Additionally, providing them with discounts on ski school

for their children and a message such as “Don’t you wish your parents had started you skiing at your kid’s age?” might be targeted to this segment. Consider that many participants that fall in this category are women, so marketing efforts that appeal to that demographic would probably see higher success rates.

- Lapsed skier with no children – while this skier does not have the barrier of children to overcome, they are short on time and often say they don’t have anyone to go with to the mountains. In this case, messaging on social media could help people connect and brands that emphasize the “getting outdoors” and “fun with family and friends” may bring those lapsed participants back to the market.

Of course, these are not intended to be comprehensive customer segment messaging tactics, rather they are examples we chose to demonstrate how segmenting your market and surgically targeting different types of consumers can make our offers and messages far more relevant.

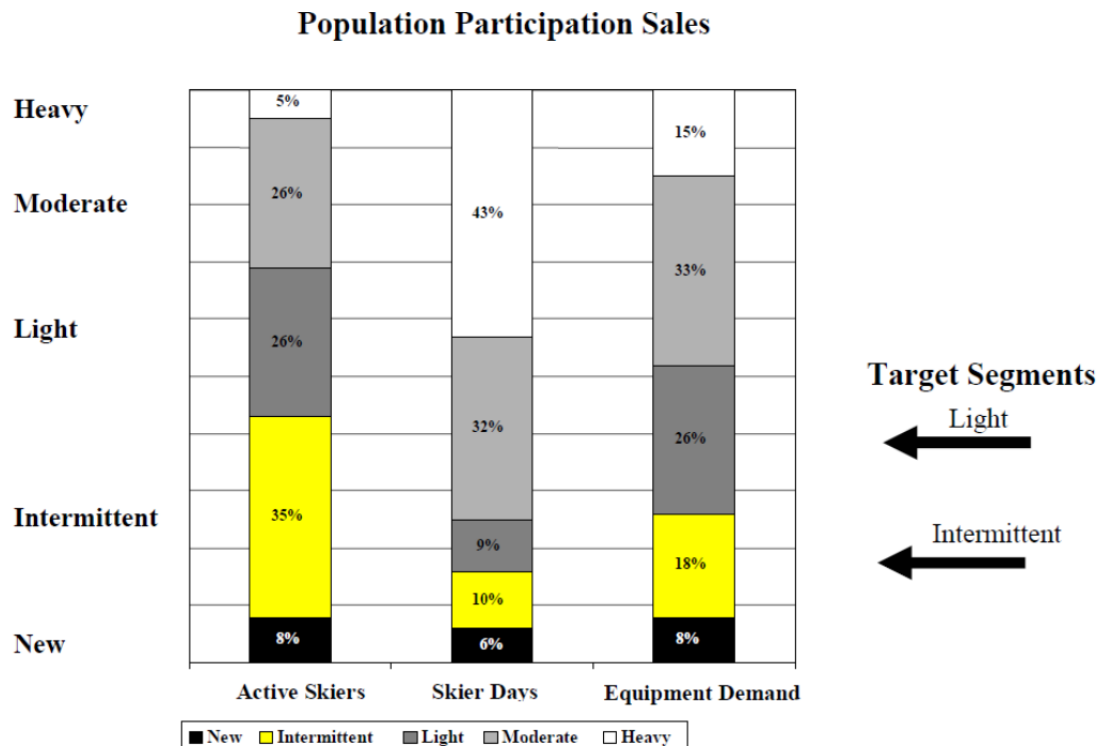
Allocate our marketing resources based on the potential value of each customer segment.

Ultimately, spending marketing dollars should be the execution of an investment strategy -- you are betting that your \$1 investment in marketing to an individual skier/boarder will produce \$10 or \$20 in incremental revenue. A segmented approach to the market permits you to target those investments surgically to narrow the risk that you won’t see adequate return on your investment.

The most salient point in this still relevant report first published in 2000 is that your investment in marketing should be focused on the **customer value acceleration opportunity** – those segments of the consumer marketplace that **present the greatest opportunity** to increase participation and sales.

Of course, the most avid (core) skiers/riders (self-described experts/ advanced) need to be one of your high-value targets. These are the participants that buy equipment, season passes and carry the passion for snow sports to other segments of the market through social media, word of mouth and traditional media. However, they represent less than a quarter of all participants in the market. Therefore, we must also focus considerable resources on the customer segments with the greatest “acceleration potential” of light and intermittent users -- lapsed, beginner and lower intermediate skiers/boarders.

Returning to a chart that we used earlier in this report, you can see why segments that represent large snow sports populations, but are underrepresented in participation and sales, represent good marketing opportunities.



As you can see, a relatively small percentage increase in the participation of these less proficient skiers/boarders should produce a very substantial total return in increased participation and sales.

Critical Strategies for Success: Helpful Tools to Grow your Business in the 21st Century

Beyond a discussion of what we learned and the need for a new approach to the market, we developed a series of marketing strategies which we believe could prove critical to the snow sports industry's success in the years ahead.

The importance of each of these strategies was reflected in our research review and analysis, and it is supported by the experience of other companies and industries who are struggling with the same market forces as are we.

You will note that the following strategies grow directly out of the previous report sections, "Key Findings" and "A New Approach to the Market."

- Capture Critical Customer Information** – name, email address, proficiency, frequency of participation, etc. The relative handful of customer data points that you will need to be able to focus your resources on your single-most productive market segment are current and past customers. Social media can help with this effort and you can incentivize customers on your branded website with chances to win free or discounted products. This tactic also allows you to bring customers further into your brand by building a sense of community and belonging that customers may associate with your brand.

- **Invest in Growing Your Skier/Snowboarders Proficiency** – don't just spend your marketing dollars to promote price; instead, invest those dollars in special offers that compel current or lapsed skier/riders to participate more often. Consumers that purchase equipment tend to have a higher level of commitment to snow sports and participate more frequently. Season passes for multiple resorts and emphasis on snow sports as a friend and family bonding experience are also highly associated with more frequent participation.
- **Leverage the Full Potential of Season Passes** – they are a device to increase the customer's "stake" in snow sports, it is likely to be a productive tactic to increase proficiency, participation and additional sales.

Bundle price into a larger value proposition – to avoid focusing the customer on price, you can bundle a discount offer within a package of benefits of at least equal and probably greater value to the customer such as lessons, lift tickets, meals, child care as a complete "family package."

- **Turn Children Into Motivators** – if you are going to discount, focus on discounting kids, ski school and other tactics likely to get the customer into the activity early; make the participation of kids more convenient and less costly for parents (it is the "secret" to McDonald's success).
- **Reward Loyalty Programs at Retail** – loyalty programs are a great incentive for your customers, especially the more active participants. They are going to come into your shop regardless, but with reward loyalty programs, it is likely they will spend more and develop a stronger relationship with your particular shop. Once you have their contact information, you have the ability to reach out to them more frequently and encourage more visits to your store front. Equipment demos are also a great incentive to offer your most loyal customers, and research shows that demoing equipment often leads to purchasing that equipment.
- **Reward Loyalty and Heavy Users at Resorts** – create formal recognition for the skier/boarder's increase in proficiency (ski school report cards, equipment upgrade discounts) and acknowledge those consumers who participate more and/or purchase more. Think of the success of programs like the EpicMix, [EpicMix is new for the 2010/2011 season at Vail, Beaver Creek, Breckenridge, Keystone and Heavenly, and a revolutionary technological advancement for the ski industry. With EpicMix, all your activity on the slopes is automatically captured and uploaded to your EpicMix dashboard. Now you can follow your days skied, track your vertical feet, see where you rode, earn EpicMix pins for your achievements and collect points. You can also connect with your social networks like Facebook and Twitter and share your stats, pins and points. All this is possible because of Radio Frequency (RF) scanners at the base of every lift, and RF technology built into every Vail Resorts season pass and PEAKS card.]
- **Target Lapsed Skiers/Boarders for Reactivation** – it appears that the two fundamental reasons lapsed skiers/boarders dropped out is: **1)** the challenge of getting better at the sport; or, **2)** the added complexity of skiing/boarding with children. So,

focusing on those two barriers with targeted promotions such as “try it again for the first time” will be relevant to these lapsed customers and help your message get through.

- **Target Beginners and Intermediates for Upgrades** – this is a group “on the bubble.” They are considering whether snow sports activities give them enough reward and sense of achievement to successfully compete for their time and pocketbook. Therefore, we should create promotions to increase their proficiency (e.g., “up a notch in a week”) and reinforce their sense of achievement (e.g., EpicMix statistics sharable on Facebook and Twitter).
- **Focus on Children’s Lifetime Value** – view an expenditure on a child (whether a discount on a helmet or on ski school) as an investment that will produce a broad return over time, including the participation of their parents. Further, their satisfaction with their growing proficiency and participation will be associated with your resort, retail outlet or equipment brand and their loyalty will follow.

TACTICAL RULES OF THE ROAD

Attachment Number IV of this report is a tactical matrix, which is a summary of illustrative tactics (marketing offers and messages) and their alignment with the different target market segments we have discussed.

While these are not full tactical plans, they are intended to be tactical ideas, based on the marketing principals that grow out of this research to “prime the pump” of your marketing plan. However, before you dive into the development of your tactical plans, there are five tactical rules of the road that are worth keeping in mind.

1. Remember your target audience – resist the temptation to broadcast a general message to a mass market.
2. Don’t shoot over your consumers’ heads – don’t create an exclusive message that you and the other snow sports “insiders” find appealing, instead tailor messages that are inclusive, targeted to the vast majority of consumers who represent your greatest sales acceleration potential. Don’t forget that your customers have much more influence over your brand identity due to the current proliferation of social media. If your message isn’t working, they will let their friends and you know quickly.
3. Make sure your messages and offers are relevant to each segment – it is no longer enough in marketing to make your imagery appealing and your messages and offers competitive, you must strive to make all of this more relevant to the needs of the consumer.
4. Keep your messages and tactics simple – as they say in politics “do the doable,” and don’t confuse the consumer, simple remains better.
5. Continually refresh your knowledge of the needs and value of the customer and adjust your marketing accordingly – marketing today is characterized by constant change and tactical adjustment. While the fundamental principals in your core strategies should remain constant, you will need to adjust your tactics to accommodate shifting consumer interests and buying behaviors, changing market conditions and the individual realities of your business.

THE BOTTOM LINE

Revisiting this report showed us that many aspects of the market have changed, but overall, customers have stayed the same. The Internet and social media are having an enormous impact on the snow sports industry, creating more opportunities than ever before to learn and connect with snow sports consumers today. Increasing the commitment participants have to snow sports, at the earliest age possible is the best way to gain a life-long customer in the market. And finally, understanding your customer, and surgically targeting them is the best way to get an adequate return on investment for your marketing dollars.

The critical observations and recommendations drawn from this study in 1999 still apply in today's market. These key issues constitute the "bottom line" of the findings in this report, then and now.

1. The market is not monolithic; its many segments reflect different values, needs, attitudes and behaviors.
2. Our messaging and offers must reflect those differences and begin to build relationships with our customers.
3. The greatest opportunity to grow our industry lies in reinstating lapsed and upgrading beginner and intermediate users -- less with advanced skiers/boarders and even less so with "potentials." Increase the level of commitment of those that currently consider themselves skiers and/or riders.
4. Increasing our target audience's skiing/boarding proficiency is key to greater participation, sales and, ultimately, growing our industry.

There are few industries in which there is such a clear connection between cause and effect. The marketing actions you take to encourage a change in consumer behavior will produce significant increases in participation and sales.

In almost every industry, business leaders ask: "How can I get the consumer to spend more with me than with my competitors?" In the snow sports industry we believe the answer to this perennial question is clear: When the consumer feels their proficiency at skiing/snowboarding is increasing, they feel more confident, their commitment to sports increases, they participate more, and ultimately, they spend more dollars. Purchasing equipment is one key to building this commitment through proficiency. Owning equipment implies a commitment to snow sports and participants that own their own skis and boards tend to have higher levels of proficiency than those who do not own.

Logically, the more participants we sell equipment to, the more they will participate.

The snow sports industry has extraordinary tools to increase consumer proficiency and confidence -- new technology, lessons, breadth of potential new imagery, imaginative new marketing offers and increasingly relevant messages. This is a huge opportunity, the fundamental economics of which can be captured in a strategy statement as simple as: Get the consumer in early, and make them better.

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SIA RESEARCH

SIA provides research that covers all aspects of the snow industry, including demographics, consumer opinions and behavioral patterns, weather patterns, snow sports participation, overall market analysis, and more. **Videos for 2011/2012 season are released summer 2012.** If you have any questions or need research assistance please contact Kelly Davis, SIA's Director of Research at KDavis@snowsports.org or by phone at 703.506.4224. Visit snowsports.org/research for more information.

Attachment II: Inventory of Research Materials Materials Received

STUDY TITLE RESEARCHER / SPONSOR STUDY DATE REC'D FROM REC'D DATE

SIA Snow Sports Participation Study, SIA and the Physical Activity Council, 2006/2007 – 2009/2010

Model for Growth, Measured Improvement, Future Challenges, NSAA 2006

Model for Growth: Focus on Conversion, NSAA, 1999

SIA Snow Sports RetailTRAK™ 1998/1999-2010/2011

Projected Demand and Visitation for U.S. Ski Areas, RRC Associates, 2007

Southern California Snow Sport Marketing Study Leisure Trends Group/SIA 09/96 SIA 7/9/99

SIA Snow Sports Book - Industry Guide SIA 1999 SIA 7/9/99

Snowtrak SIA 1999 SIA 7/9/99

SIA National Snowboarder Survey SIA 1996 SIA 7/9/99

Top Line Retail Audit SIA 03/99 SIA 7/9/99

Transworld Snowboarding Business/NSAA-1997/98 Ski Resort Snowboarding Survey RRC Associates/NSAA 10/98 RRC Associates 7/8/99

National Ski Areas Association National Demographic Study RRC Associated/NSAA 09/98 RRC Associates 7/8/99

NSAA KOTTKE End of Season Survey 1997/1998 – 2010/2011 RRC Associates/NSAA

Brand Focus Groups on Skiing and Snowboarding Brand Consulting Group/SIA 05/94 SIA 6/15/99

1994-95 National Skier Opinion Survey, National Skier Opinion Survey Inc./SIA 1994 SIA 6/15/99

U.S. Ski & Snowboard Industry Retail Audit ,Leisure Trends Group & Recreation Research/SIA 09/95 SIA 6/15/99

Potential Market For Skiers and Snowboarders, Leisure Trends Group/SIA, 06/98 SIA 6/15/99

Building Industry Profits – National Ski Areas Association – 2nd Steering Committee Discussion McKinsey & Company/NSAA & SIA 012/88 SIA 6/15/99

Facts & Figures on the Snow Sports Industry, SIA 01/98 SIA 6/15/99

1998/1999 Subscriber/Reader Profiles RRC Associates/The Skiing Company 1999 The Skiing Co. 8/31/99

1998/1999 National Skier/Boarder Opinion Survey Leisure Trends Group 1999 Aspen Skiing Company 8/16/99

Compilation of Market Research Ride, Inc. 5/4/97 Ride, Inc. 8/20/99

Shop and Employee Survey Questionnaires Rossignol Ski Company 1999 Rossignol 8/16/99

Snowboard Life Magazine Reader Survey TransWorld Media/Rogers 1998 TransWorld 9/27/99

Snowboarding Magazine Reader Surveys TransWorld Media/Simmons 1999 TransWorld 9/27/99

Skateboarding Magazine Reader Surveys TransWorld Media/Simmons 1998 TransWorld 9/27/99