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Powder and Points – Loyalty Programs Hit the Ski Hills Industry Analysis from IdeaWorks

The ski industry embraces airline-style frequent customer programs at 11 of the 20 largest U.S. ski areas.

Frequent-skier programs offered by major ski areas are far more generous and consumer friendly than their airline industry counterparts:

- Squaw Valley offers a free lift ticket for every four purchased - - an amazing return of 25%.
- The PEAK Rewards program associated with Breckenridge Ski Resort allows up to 8 family members to pool their points into one account.
- PEAK Rewards also allows the exchange of points and airline miles with Frontier's EarlyReturns frequent flier program.
- The Vertical Plus program offered by the Northstar-at-Tahoe ski area is most unusual because its members accrue benefits based upon the vertical feet on ski runs taken by its members.

Each program has its unique qualities -- yet they are very similar on the issue of reward restrictions. Leaving the inventory restrictions and black-out dates of the airline industry behind, these frequent skier programs allow members to redeem rewards for free lift tickets on the busiest of holiday weekends. Where the programs seem to lag their airline-industry counterparts is in areas involving bonus partners, co-branded credit cards, elite customer recognition and year-round participation.

Frequent-Skier Programs at the 20 Largest U.S. Ski Areas

IdeaWorks reviewed the frequent-skier programs associated with the 20 largest U.S. ski areas as determined by "2003 season skier visits" data compiled by the National Ski Areas Association (NSAA). The largest 20 ski areas are: Beaver Creek Resort (CO), Breckenridge Ski Resort (CO), Copper Mountain (CO), Heavenly Mountain Resort (NV), Holiday Valley Resort (NY), Keystone Resort (CO), Killington Resort (VT), Mammoth Mountain Ski Area (CA), Mount Snow Resort (VT), Northstar-at-Tahoe (CA), Okemo Mountain Resort (VT), Park City Mountain Resort (UT), Snow Summit Mountain Resort (CA), Snowmass (CO), Squaw Valley USA (CA), Steamboat Ski & Resort Corporation (CO), Sunday River Ski Resort (ME), The Summit At Snoqualmie (WA), Vail Mountain (CO), and Winter Park Resort (CO).

Frequent-skier benefits are offered by 4 programs serving 11 of the largest U.S. ski areas, representing nearly 20% of annual skier visits:

- **The Edge Reward Program:** Killington Resort, Mount Snow Resort, Steamboat Ski and Resort Corporation and Sunday River Ski Resort (all operated by the American Skiing Company)
- **PEAKS Rewards:** Beaver Creek Resort, Breckenridge Ski Resort, Heavenly Mountain Resort, Keystone Resort and Vail Mountain (all operated by Vail Resorts Management Company)
- **Vertical Plus:** Northstar-at-Tahoe
- **Frequent Skier Club:** Squaw Valley

The frequent-skier programs use very different methods to generate reward benefits for skiers. The Edge Reward Program offers 1 point for each day of lift ticket purchase. PEAKS Rewards has an accrual method that is similar to frequent flier programs; defined point values are assigned to purchases of resort dining, ski lessons and lift tickets. Vertical Plus has the most complex accrual method in the group. “Vertical Feet” representing the drop in elevation from mountain top to end-of-run are recorded when members swipe their SkiKey at the lift line. The “Frequent Skier Club” is the simplest program with its “buy 4 get 1 free” offer. The programs are compared on Page 3 of this report.

Evolution of Frequent-Skier Programs

Similar to the airlines, the ski industry is very competitive. While many ski areas are individually owned and operated, recent years have seen the emergence of ownership of multiple ski areas by major corporations. Downhill skier visits to U.S. resorts have hovered around 40 million per year for the past five seasons. Over the same period, total snowboarder visits have increased from 12.1 million to 17.1 million. In large part, the ski industry’s success over the past several years is the result of stabilizing its downhill skier base while growing its snowboarder layer.

Ski areas compete by fighting for greater market share through product improvements achieved by making significant investments in facilities and services. These efforts have created “destination ski resorts” providing an impressive array of skiing, hospitality and entertainment experiences. Destination ski resorts must also compete with other vacation experiences such as beach resorts and cruises. Skiers choose their destinations using a variety of factors such as mountain terrain, pricing, waiting times, lift speed, dining, entertainment and - - frequent-skier benefits.

The first initiatives to attract frequent skiers were the annual passes; this method of discounting remains very popular today. Airline-style frequent-skier programs began more than ten years ago with the launch of Vertical Plus at the Northstar-at-Tahoe ski area. The other 3 programs were added later throughout the 90s. The most recent addition was the 1997 launch of the PEAKS Rewards program.

Comparing the 4 Frequent-Skier Programs

Table 1	Edge Reward Program	PEAKS Rewards	Vertical Plus	Frequent Skier Club
Largest 20 Participating US Ski Areas	Killington, Mount Snow, Steamboat and Sunday River	Beaver Creek, Breckenridge, Heavenly, Keystone and Vail Mountain	Northstar-at-Tahoe	Squaw Valley
Other Participating Ski Areas	Attitash, Canyon, Pico Mountain, Sugarloaf		Sierra-at-Tahoe	
Membership Fee	Free	Free	\$89 annually, \$69 for season-pass holders.	\$10 annually, \$5 if purchased online.
Sign-Up Bonus	None	None	Free 1 day lift ticket and 10,000 Vertical Feet (no lift ticket for season-passes).	None
Key Benefit	Purchase 6 full-price or multi-day lift tickets and receive the 7th day free.	Purchase 10 adult lift tickets and earn 10,000 points, which may be redeemed for a free one day lift ticket.	Earn discounts and rewards for the amount of vertical feet skied. Plus save \$5 off daily lift tickets.	Purchase 4 full price lift tickets for yourself and receive one free lift ticket.
Accrual	Members earn 1 point for each day of skiing at full or multi-day lift prices. Tracked at time of purchase.	Accrual chart lists points earned for purchases. Such as: Adult lift ticket earns 1,000 points. Points also earned for dining charges and ski lessons. Maximum of 5,000 points per day.	Members receive a wristband that records the vertical feet skied. 50% bonus on select days. Maximum of 500,000 feet per season. Typical daily skiing is 25,000 feet.	Purchases are automatically tracked. Special "Midweek Bonus Days" rates also qualify.
Annual Pass	Does not qualify for points.	Does not qualify for points.	Yes, does qualify for Vertical Feet.	Not applicable.
Rewards	Free lift ticket on any day at any American Skiing Company-owned resort. No black-out dates.	Over 16 winter and summer reward choices. Includes hotel, dining and activity rewards. Example: 10,000 points = 1 adult lift ticket. No black-out dates on lift tickets.	Over 50 winter and summer reward choices. Includes activities, dining, drinks, lodging, kids items and merchandise. Example: 275,000 feet = \$100 food credit.	Free lift ticket on any day. No black-out dates.
Balance Expiration	Points expire 3 years after points have been earned	Points and rewards expire on May 31st after the second anniversary of their accrual.	Vertical Feet expire on June 15. 25,000 feet may be transferred to the next season.	Not applicable.
Source: November, 2004 survey of ski area web sites.				

The Unique Characteristics of Each Program

The Edge Reward Program

web site: www.peaks.com

Points may be earned and redeemed at any of the ski areas operated by the American Skiing Company. Members may check their account balance online or at any ticket window. Edge is the only program to feature a co-branded credit card. Issued by Bank One, the card provides a \$10 gift certificate for every \$1,000 of regular charge activity. Resort charges earn gift certificates 5 times faster through a bonus offer.

PEAKS Rewards

web site: www.snow.com

PEAKS Rewards allows up to 8 members of a household to pool their point activity into one account - - a most unusual benefit among U.S. loyalty programs. Members receive “best possible” pricing on select lift tickets. The resort charge function allows the PEAKS Rewards card to operate as charge card when linked to a member’s credit card account. Charge activity at resort dining locations (except at Heavenly) earns 500 points for each \$50 spent, with a maximum of 5,000 points per day. Rewards are transferable. The partner relationship with Frontier Airlines allows members to convert 10,000 points for 2,500 Frontier EarlyReturns miles, or convert 2,500 EarlyReturns miles for 10,000 points.

Vertical Plus

web site: www.boothcreek.com

This is truly a frequent-skier program because it rewards on the basis of vertical feet skied by members holding lift-tickets and seasonal passes. Members receive a SkiKey card embedded with a microchip. Members swipe their SkiKey as they go through designated Vertical Plus lift lines. The vertical drop of each ski run is recorded in their member account. Autocharge function allows the SkiKey to operate as a charge card when linked to a member’s credit card account. Charge activity at resort locations (excluding lift tickets and passes) earns 1,000 vertical feet for every dollar charged. Numerous bonus days are designated throughout the season and provide a 50% vertical feet bonus. Members may even use the SkiKey technology to page other members as they swipe their card at the lift line.

Frequent Skier Club

web site: www.squawshop.com

Members enjoy special midweek \$52 ski lift pricing on Tuesday, Wednesday and Thursday, which also qualifies under the buy 4 get 1 free plan.

Program Observations and Conclusions

Frequent-skier programs provide very generous rewards earning opportunities for their members. Accrual opportunities are somewhat limited and largely apply to lift tickets, dining and ski lessons. Annual reports filed by ski areas indicate the majority of ski area revenues are generated in ancillary areas such as hotel accommodations, dining, nightclubs, retail merchandise and summer visitation. Future program changes made by ski areas are likely to emphasize bar, retail and hotel accommodations as accrual activities. This should increase incremental revenues and make the programs more important to members.

Season-pass holders are somewhat discouraged from participating in the programs, with the exception of Vertical Plus which allows all revenue-producing skiers to participate. While season-pass holders probably generate the lowest profit margins, they are certainly the “most frequent” of a ski area’s customers. Their frequent presence may provide opportunities for incremental spending linked to food, beverage and merchandise. Extending benefits to this group will become more likely as frequent-skier programs realize the attractiveness of boosting incremental spending for non-ski activities.

Major corporations have a significant presence; they command over 85% of the skier visits represented by the 4 frequent-skier programs. These companies have non-ski-related resort operations that could be natural candidates for participation in frequent-skier programs. For example, Vail Resorts Management Company also operates the luxury RockResorts chain and the Grand Teton Lodging Company. Future developments of frequent-skier programs will likely involve an expansion of scope to include more brands and products offered by corporate parents as the larger programs begin to address areas outside of core ski area operations.

Increased cooperation between the ski industry and established loyalty marketing programs is likely to occur. Just recently, Intrawest Corporation, an operator of 11 mountain resorts, named Frontier Airlines as the official airline of its Winter Park and Copper Mountain ski resorts. Among the consumer benefits Intrawest announced, holders of its Rocky Mountain Super Pass can accrue 5,000 miles in the Frontier Airlines Early Returns program after logging 15 days of skiing. Skiers showing a Frontier Airlines boarding pass also enjoy 2-for-1 skiing on weekdays.

The ski industry struggles with the aging of its primary customer base. Snowboarding has become an important component in the industry’s revenue mix, with its younger demographics forming an attractive future customer base. The frequent-skier programs are largely designed to serve traditional skiers, but are also adding features to provide benefits for snowboarders. Serving two very different age and lifestyle groups represents a marketing challenge. Not unlike the credit card industry - - which offers different separate programs to meet the needs of specific markets - - the ski industry is likely to create brands tailored to the needs of snowboarders and traditional skiers.

About IdeaWorks: IdeaWorks was founded in 1996 as a consulting organization building brands through innovation in product, partnership and marketing and, building profits through financial improvement and restructuring. Its international client list includes the hotel, airline, marine, railroad, consumer products and health care sectors. IdeaWorks specializes in brand development, customer service improvement, customer research, competitive analysis, creating partner marketing strategies, cost reduction programs and business restructuring. Learn more at www.IdeaWorksCompany.com

Sources for Program Analysis: Unless indicated otherwise, all data is from a review of ski area web sites and annual reports issued by those that are publicly held. The list of the 20 largest U.S. ski areas for 2003 was provided by the National Ski Areas Association (NSAA).

Disclosure: IdeaWorks makes every effort to ensure the quality of the information available in this report. Before relying on the information, readers should obtain any appropriate professional advice relevant to their particular circumstances. IdeaWorks does not have a client relationship with the companies included in this analysis. IdeaWorks cannot guarantee, and assumes no legal liability or responsibility for the accuracy, currency or completeness of the information.

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