

An aerial photograph of a snowy mountain slope, showing numerous ski tracks and a few small buildings or structures at the base. The scene is captured from a high angle, looking down the mountain.

# **Price Policy Issues in the Colorado Ski Industry: Lessons to be Learned**

**Richard R. Perdue  
Leeds School of Business  
University of Colorado  
Boulder, CO**

# Organization

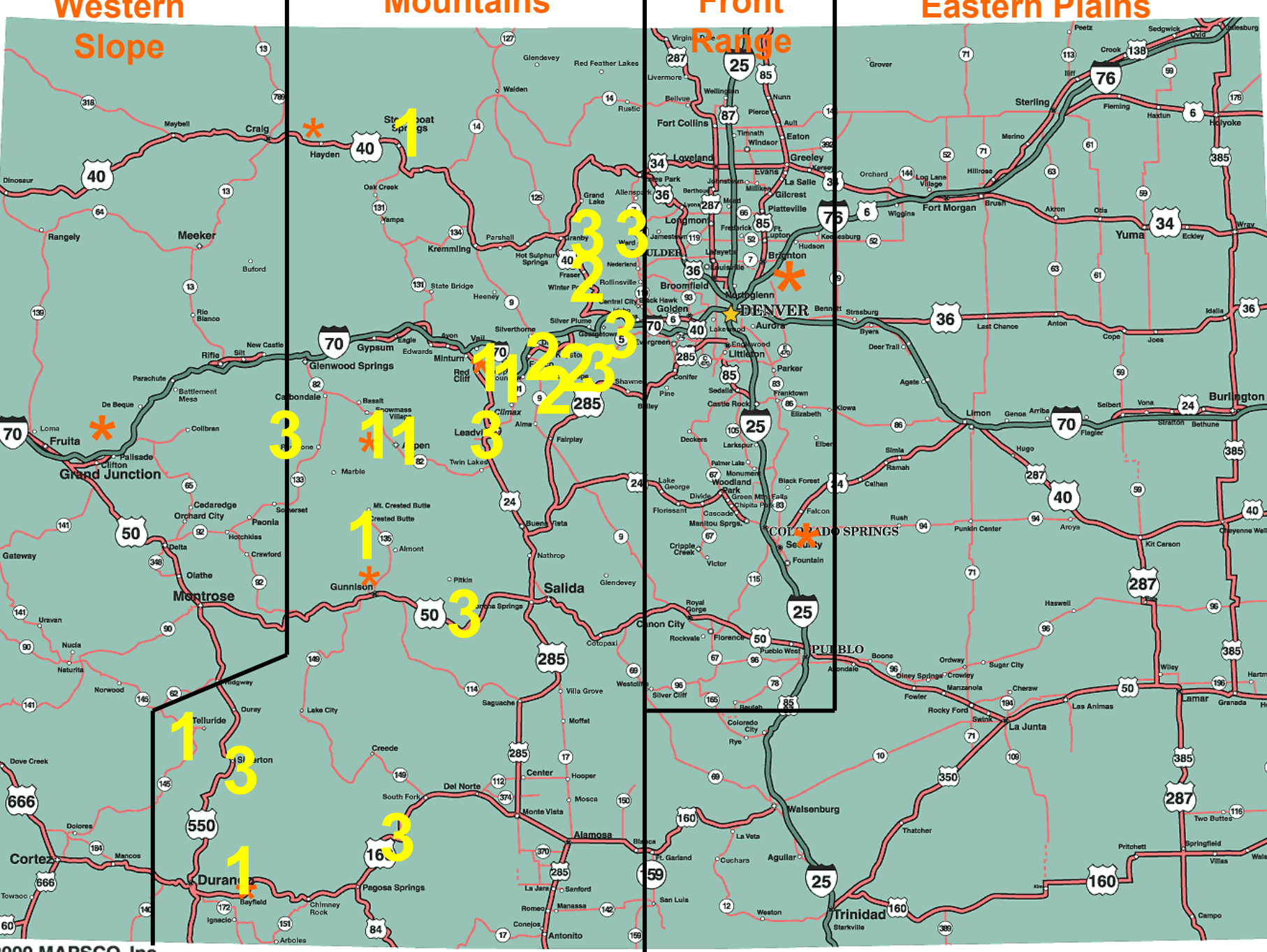
**The Colorado Ski Industry**

**Pricing Practices**

**Price Strategy Evaluation**

- a. Crested Butte Ski Free**
- b. VRI / Intrawest Buddy Passes**
- c. VRI / Intrawest Revenue Share Programs**

**Lessons**





DURANGO MOUNTAIN

TELLURIDE

CRESTED BUTTE

FOWDERHORN

SILVERTON

SNOWMASS

SUNLIGHT

MONARCH

ASPEN

COPPER MOUNTAIN

BEAVER CREEK

SKI COOPER

HOWELSON

BRECKENRIDGE

KEYSTONE

STEAMBOAT

ARAPAHOE BASIN

LOVELAND

WINTER PARK

SOLVISTA

ELDORA



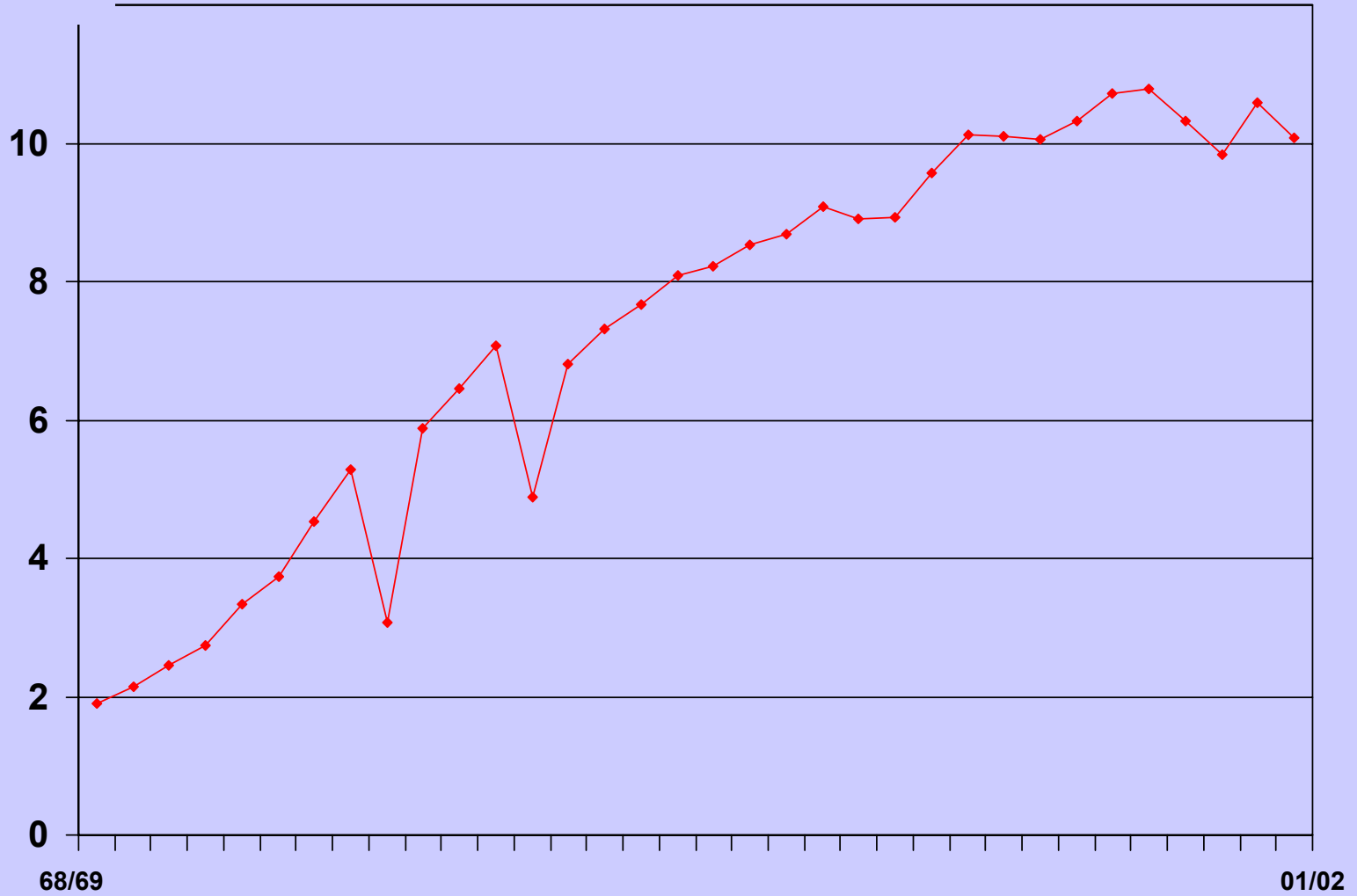






# Ski Demand

Millions



68/69

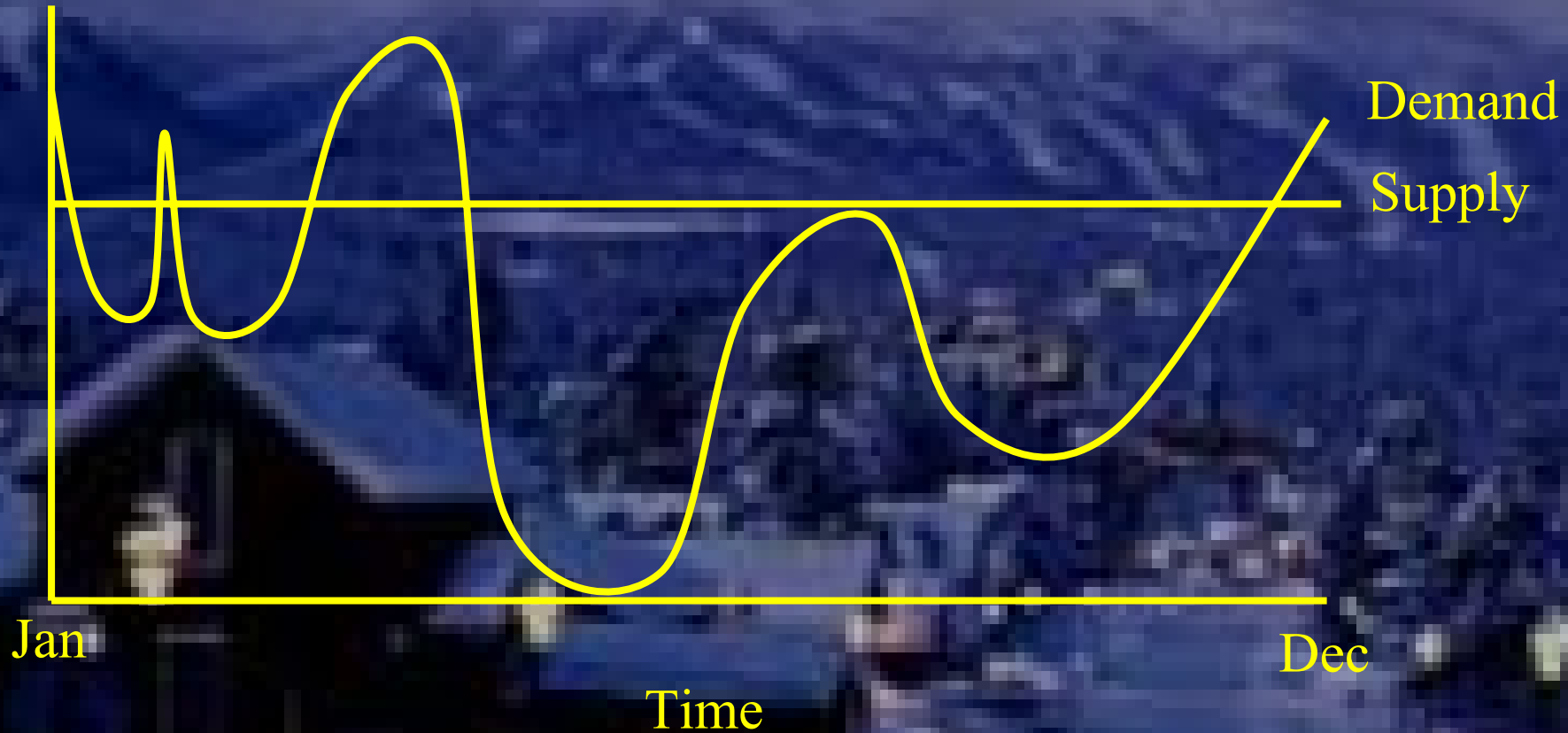
01/02

Skier Days by Season (1965 - 2002)

# Colorado Skiing: A Mature Industry

- **Stagnant Demand / Competing for Market Share**
- **Mountain Improvements**
  - **New terrain**
  - **Lift technology**
  - **Mountain amenities**
- **Village Development**
  - **Resort real estate expansion**
- **Corporate Consolidation**

# Seasonality



Also - Weekly cycles at Front Range ski areas and resorts

# Pricing Practices

- **Complex Rate Structures**
- **Competition Driving Pricing Strategies**
- **Promotional Pricing and Cross Product Elasticity**
- **Revenue Share Strategies**

# Different People Pay Different Prices

*What did each of these skiers pay for their day?*

 BRECKENRIDGE  
SKI RESORT



Sierra from  
Boulder  
purchased ticket  
at King Soopers  
= **\$40**

Dean from  
Connecticut  
attending a medical  
conference= **\$45**

Ullrike from  
Austria on a  
package tour =  
**\$55**

Joe-Bob from  
Texas taking a  
ski school  
lesson = **\$38**

# Different Ticket Products are Targeted to Different Market Segments

<u>Market Segment</u>	<u>Top Ticket Products Purchased</u>
Local	CO Pass, Buddy Pass
Front Range	CO Pass, Buddy Pass, Colorado Card, FR Merchant, various group and discount rates (e.g.) Gold C Cards.
Out of State	Lead Rate, Destination Group, Tour Operator/Wholesale
International	Lead Rate, International Tour/Wholesale

- Differences in prices reflect a different competitive environment for each market segment.

- Generally speaking, the farther you have to travel, the more you have to pay.

# Price Basis and Bundling

## Price Basis

- Single Day
- Multi-Day
- Season Pass

## Price Bundling

- Ski School
- Rentals
- Lodging/Airfare/Rental Car, etc.

# Managing Demand by Adjusting Prices by Subseason

PRD	
LOB	LOB Descript CAT PRD CAT Description
100	Lead Rate 1000 V/BC Lead Adult 1Day

open/98 - 11/24	11/25 - 11/28	11/28 - 12/17	12/18 - 12/25	12/26 - 1/1	1/2 - 2/18	2/19 - 2/26	2/27 - 3/3	3/4 - 3/25	3/26 - 4/1	4/2 - 4/8	4/9 - 4/15	4/16 - close
29	45	59	61	61	59	61	61	61	61	59	45	29

- Pricing mirrors subseasonal demand - the higher the demand, the higher the prices
- Each subseason has its own market mix, and ticket mix

# Complex Price Structures

LOB	LOB Descript	PRD CAT	PRD CAT Description	open/98 - 11/24	11/25 - 11/28	11/28 - 12/17	12/18 - 12/25	12/26 - 1/1	1/2 - 2/18	2/19 - 2/26	2/27 - 3/3	3/4 - 3/25	3/26 - 4/1	4/2 - 4/8	4/9 - close
100	Lead Rate	1000	V/BC Lead Adult 1Day	29	45	59	61	61	59	61	61	61	61	59	45
100	Lead Rate		BC Only Lead Adult 1Day	29	29										
100	Lead Rate	1001	V/BC Lead Adult 2Day	29	39	59	61	61	59	61	61	61	61	59	45
100	Lead Rate	1002	V/BC Lead Adult 3Day	29	39	59	61	61	59	61	61	61	61	59	45
100	Lead Rate	1003	V/BC Lead Adult 4Day	29	39	57	59	59	57	59	59	59	59	57	45
100	Lead Rate	1004	V/BC Lead Adult 5Day	29	39	57	59	59	57	59	59	59	59	57	45
100	Lead Rate	1005	V/BC Lead Adult 6Day	29	39	55	57	57	55	57	57	57	57	55	45
100	Lead Rate	1006	V/BC Lead Adult 7+Day	29	39	55	57	57	55	57	57	57	57	55	45
100	Lead Rate	1007	V/BC Lead Adult Half Day		NA	48	48	48	48	48	48	48	48	48	48
100	Lead Rate		V/BC Lead Adult 2-4		32	32	32	32	32	32	32	32	32	32	32
100	Lead Rate	1008	V/BC Lead Adult Ride	15	15	15	15	15	15	15	15	15	15	15	15
100	Lead Rate	1009	V/BC Adult Beginner	25	25	25	25	25	25	25	25	25	25	25	25
100	Lead Rate	1010	V/BC Lead Child 1Day	17	27	37	37	37	37	37	37	37	37	37	19
100	Lead Rate		BC Only Lead Child 1Day	19	19										
100	Lead Rate	1011	V/BC Lead Child 2Day	17	27	37	37	37	37	37	37	37	37	37	19
100	Lead Rate	1012	V/BC Lead Child 3Day	17	27	37	37	37	37	37	37	37	37	37	19
100	Lead Rate	1013	V/BC Lead Child 4Day	17	27	37	37	37	37	37	37	37	37	37	19
100	Lead Rate	1014	V/BC Lead Child 5Day	17	27	37	37	37	37	37	37	37	37	37	19
100	Lead Rate	1015	V/BC Lead Child 6Day	17	27	37	37	37	37	37	37	37	37	37	19

**20 Lines of Business (LOB's) / Over 600 Prices**

# Competition Based Pricing

## 00/01 PEAK SEASON LEAD RATE (TICKET WINDOW) PRICE FOR COLORADO RESORTS

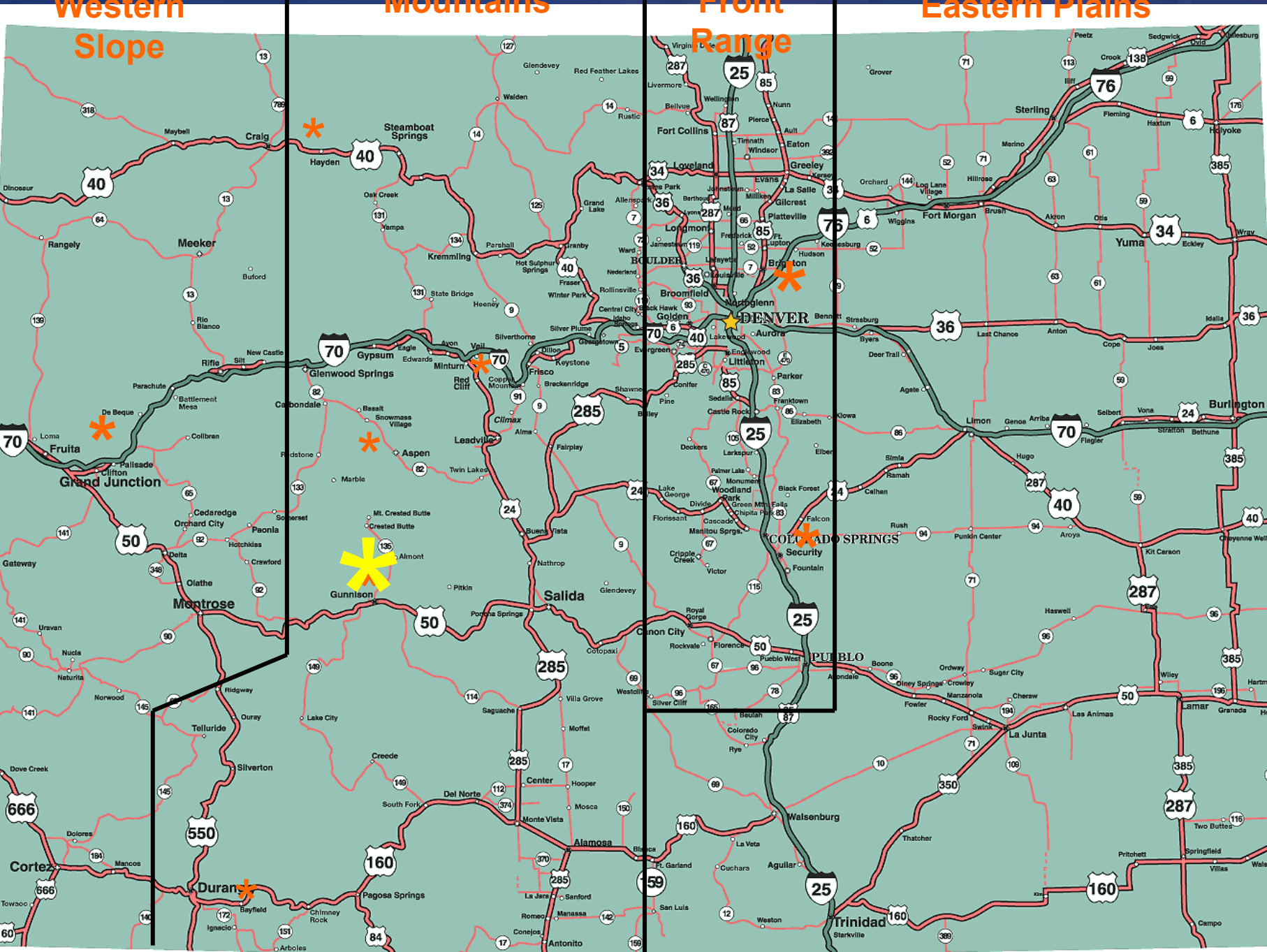
Aspen	\$65
Snowmass	\$65
Telluride	\$65
Vail	\$63
Beaver Creek	\$63
Steamboat	\$59
Breckenridge	\$57
Keystone	\$57
Winter Park	\$56
Copper Mountain	\$55
Crested Butte	\$53
Loveland	\$41
Ski Cooper	\$29

**Promotional price matching  
is the most difficult pricing  
decision**

**Particularly in world of  
the Internet and CRM  
Marketing Systems**

An aerial photograph of a mountain resort at night. The scene is dominated by a vast, snow-covered mountain slope. In the lower-left foreground, a large, dark building with a gabled roof is illuminated from within, with several warm yellow lights visible. To its right, a smaller, rectangular building is also lit up. Further down the slope, several more buildings are scattered, each with its own warm glow. The background shows the dark, snow-covered peaks of the mountain under a dark sky. The overall atmosphere is serene and cozy, typical of a winter resort.

# Crested Butte Ski Free Promotion



# Description

**Ski Free (Thanksgiving to Christmas)**

**Seasonality of Demand**

**Cross-product elasticity**

**Partnership Program**

**Year 1 – no restrictions**

**full to capacity, international publicity**

**Year 2 – must stay in lodging**

**Year 3 – must stay in participating lodging**

**Year 4 – Died – too many free riders**

# VRI / Intrawest Buddy Passes

Year 1 (1998 / 99)

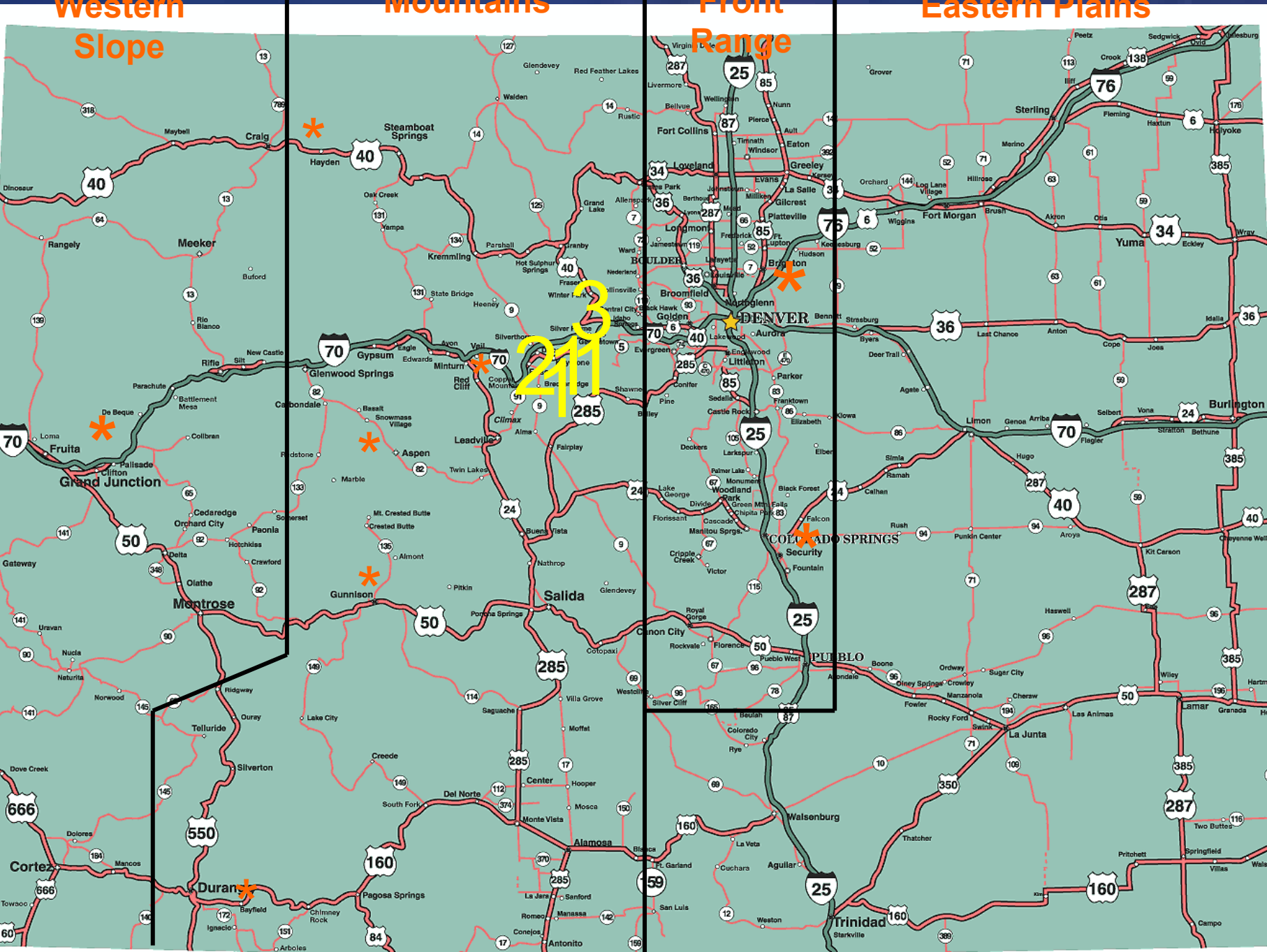
**VRI / Keystone Introduces \$896 Family Pass (2 ad / 2 ch)  
(positioning strategy, budget = 1,000 families / 4,000 passes)**

**IW / Copper Mtn and Winter Park – Buddy Pass (4 people) \$795**

**VRI – Keystone, Breckenridge, A-Basin (4 people) \$795**

**Passes sold for 2 weeks**

**VRI sells 61,000 passes**



# Results – Y1

**Poor early season snow – extreme crowding at Keystone**

**Loyal destination visitors complain / satisfaction drops**

**Shift to younger, more day-use market who spends less**

**Traffic on I-70 increases dramatically – loss of less dedicated skiers / new skiers**

**Cannibalization of other VRI ticket products**

**Loss of Front Range Skiers at Vail and Beaver Creek**

**Loss of Part Time Employees**

**Revenue in August and September**

**Tag Along Value ?**

## Year 2 – Status Quo

### Year 3: 2000 / 01

**Copper Mtn and Winter Park partner to offer Rocky Mountain Super Pass – 2 mtns / \$349**

**VRI offers 5 mtns (unlimited skiing at Keystone, Breckenridge, A-Basin + 10 days at Vail or Beaver Creek) \$289**

**VRI sells 100K+, books 30 million in revenue in Sept.. Stock value soars.**

# Results – Y2

- **Traffic on I-70 worsens / loss of new skiers**
- **Vail parking structures overflow every weekend-On 1/14/01 Vail records 21,000 SV**
- **Decline at Keystone – particularly in destination skiers**

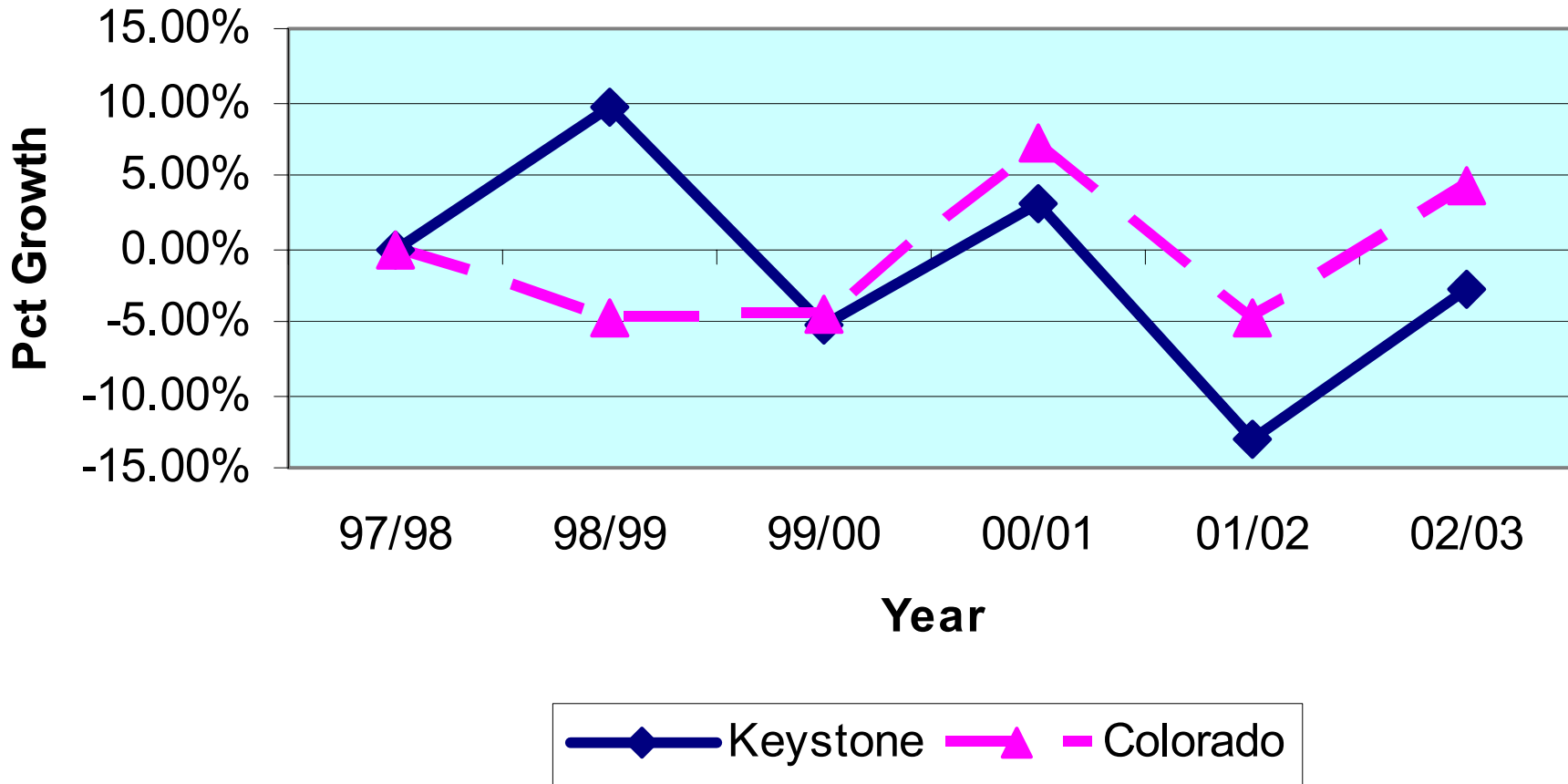
# 01/ 02 and 02/03 status quo

Impact on local ski areas  
(Loveland, Eldora, etc)

Continued decline at Keystone

# Keystone Performance

## Skier Day Growth - Keystone Vs Colorado



# Revenue Share Programs

## VRI – Breckenridge

Breckenridge Hilton (lodging, restaurants, shops)

Village at Breckenridge

Peak 7 Base Area Expansion

Ticket Partnership Policy

## Intrawest – Winter Park

new base area

100 acres – lodging, restaurants, shops, rental equipment & clothing, business center,

Goal “to capture as much of the Winter Park skier’s dollar as possible”

# Lessons

**Partnership pricing structures**

**Understanding potential program impacts**

**Price matching policy**

**Cross product elasticity**

**Cross market impacts**

**Long Term Impacts**

**Revenue share and community relations**