



the **ski**  
industry  
report 2006

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# Ski Industry Report 2006

Tuesday 11 July 2006

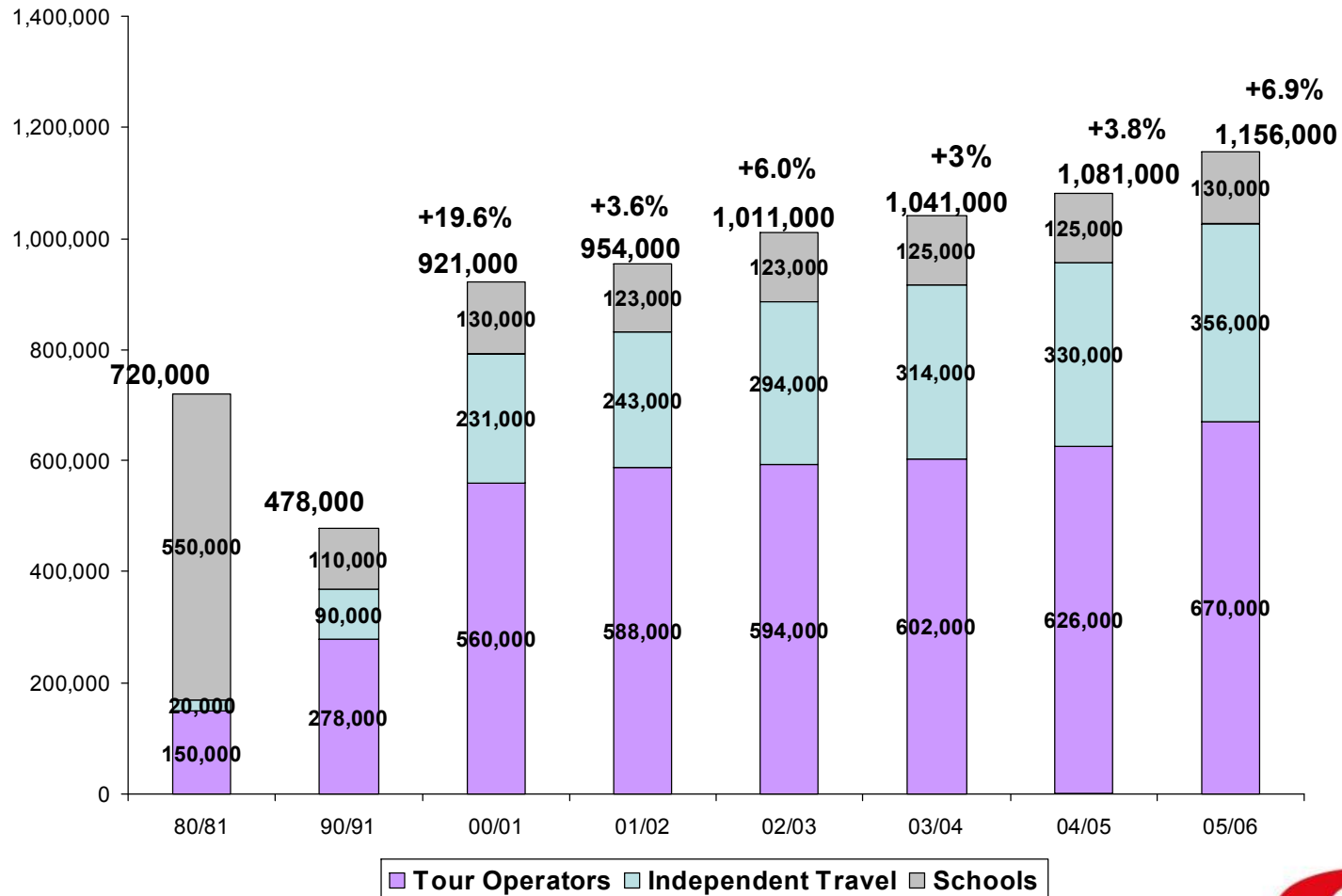
The Ski Industry Report aims to put together the various different sources of information available on the winter sports industry into one unified report. The sources include tour operators' own statistics, AC Nielsen's TravelTrack, Snowsport GB data, CAA published statistics, tourist office figures and travel agency feedback.

The figures quoted cannot therefore be taken as absolute but, because of the breadth of sources used, are believed to be as balanced and accurate as possible.

Please note – the term ski has been used within the report as a form of shorthand for the whole of the winter sports market.



# Total Ski Market Overview 1980-2006



# Total Ski Market Overview 1980-2006

- « In 2005/6 the total ski market grew by 7% with the growth occurring in the tour operator and independent travel sectors.
- « Tour operating sales continue to grow although this was mainly due to late Easter adding extra capacity.
- « The schools market showed a small 4% rise. The capacity restraints caused by the perceived necessity to travel in school holidays remains but late Easter gave for greater availability.
- « The independent sector continues to grow with transport supply from no frills airline capacity and the increased 2<sup>nd</sup> home ownership of ski chalets. However, the no frills carrier picture remains inconsistent with wildly different results recorded by area.

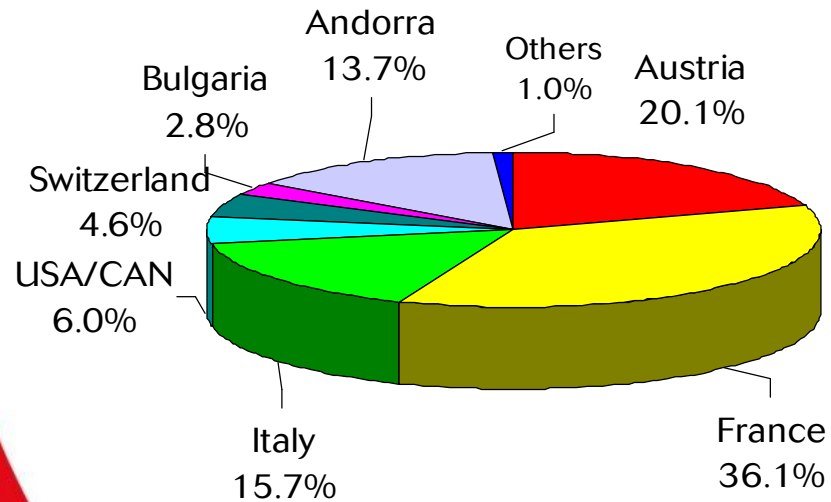


# Country Mix

## 2004/2005 vs 2005/2006

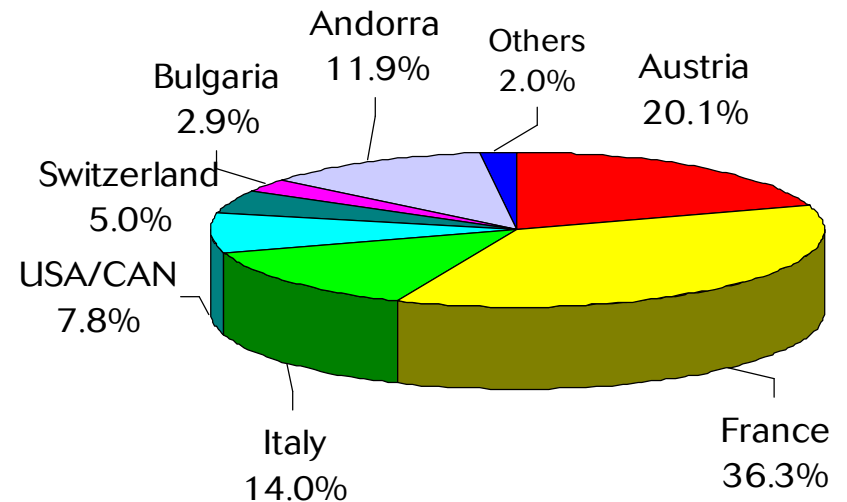
### 2004/2005

(Total Tour Operator Market 626,000)



### 2005/2006

(Total Tour Operator Market 670,000)



# Country Mix

## 2004/2005 vs 2005/2006

- « France continues to hold a dominant position in the market. A 36.3% share reflects enduring popularity of the chalet and club hotel product and high resorts benefiting from the late Easter.
- « Austria has done well to maintain its share given the late Easter which traditionally causes a fall in demand.
- « North America shows the most marked improvement in share fuelled by the benign exchange rate, high service ethic and greater accessibility afforded by the Crystal Denver charter. Canada again was a mixed bag with Whistler still suffering from last year's bad snow hangover. Calgary and Eastern Canada doing well.
- « Switzerland benefited from the late Easter and perhaps a growing realisation of the good value it represents.
- « Bulgaria has continued its share growth though this has slowed. Within the Others category, the share has risen by 1% point. This reflects a mixed bag of strong growth in Slovenia, Serbia, Finland and a further fall in Norway.
- « Andorra and Italy were the big losers with a drop of 1.8% and 1.7% respectively. The former reflecting a marked retreat by the V.I. operators caused by the change in proposition from value to quality offering. The latter was severely impacted by the Turin Olympics.





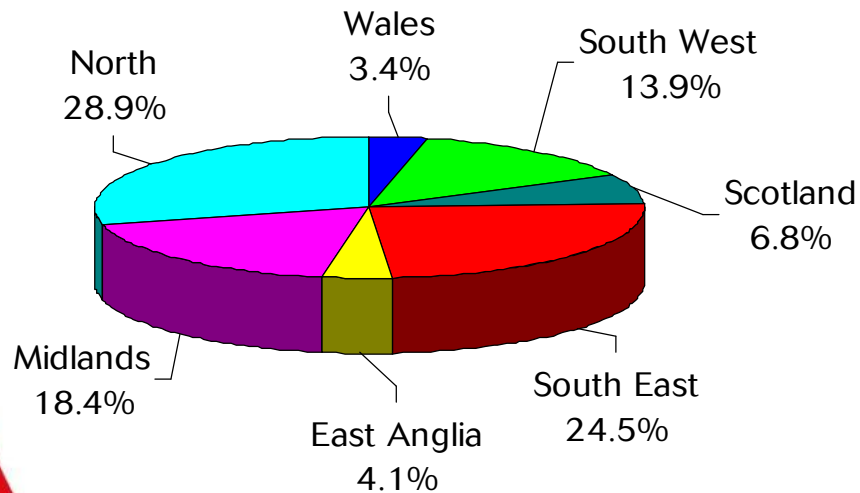
# UK Regional Mix

## Total Tour Operator Market

### 2004/2005 vs. 2005/2006

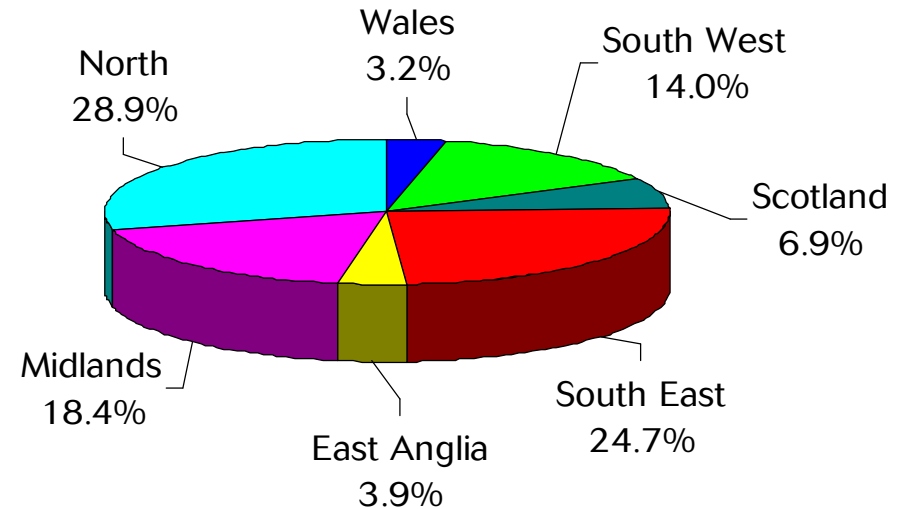
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(Total Tour Operator Market 670,000)



# UK Regional Mix

## Total Tour Operator Market 2004/2005 vs. 2005/2006

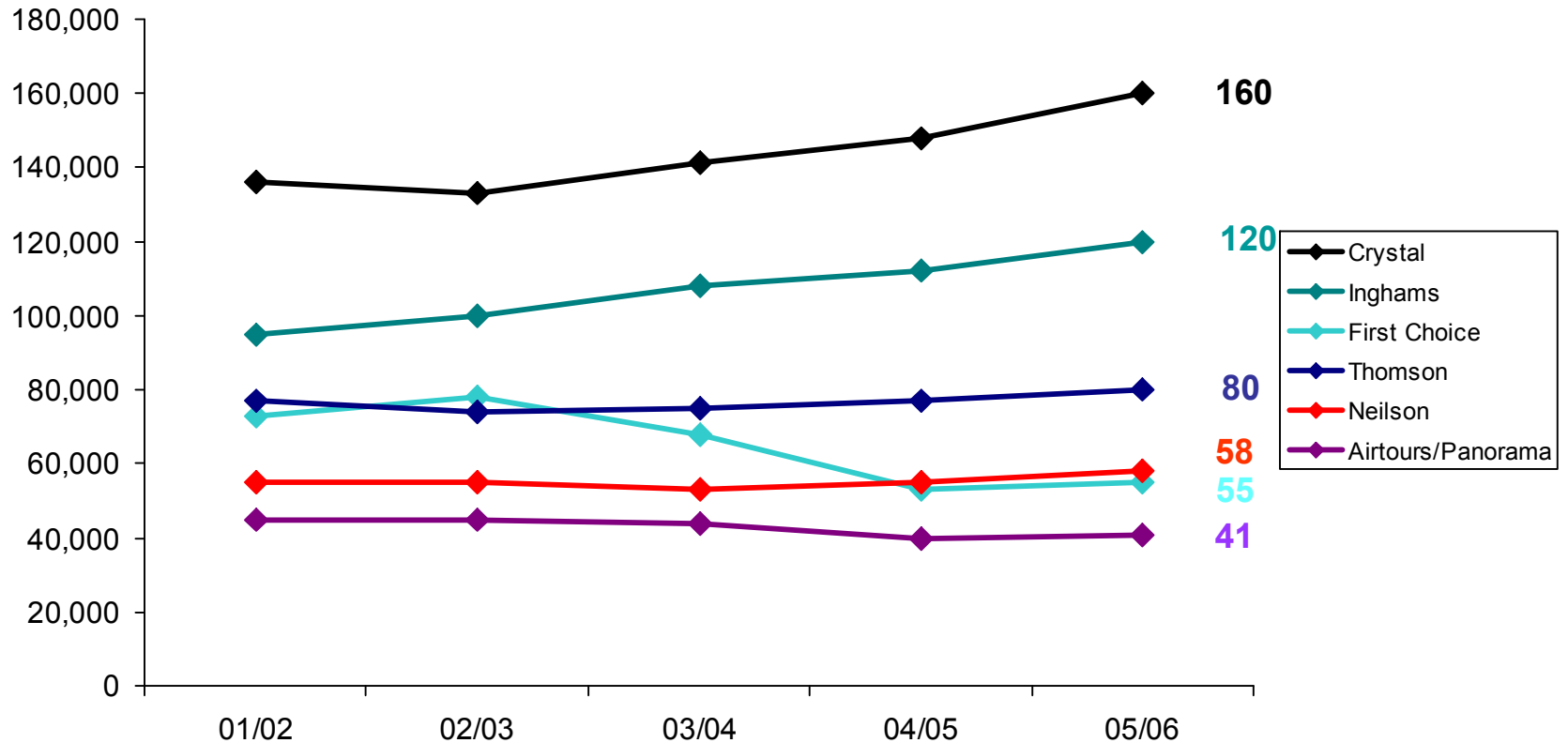
- « Overall flying up 7%.
- « South East regained some share. This reflects the fact that new destination flying starts in the South East core market.
- « South West/Scotland increases reflect greater capacity into traditional destinations.
- « Share loss in Wales/East Anglia does not reflect lack of demand or flight from regions but rather difficulties in responding to demand in smaller catchment areas.
- « Overall little change in the regional mix.





# Total Tour Operator Market

## 5 year overview



# Total Tour Operator Market

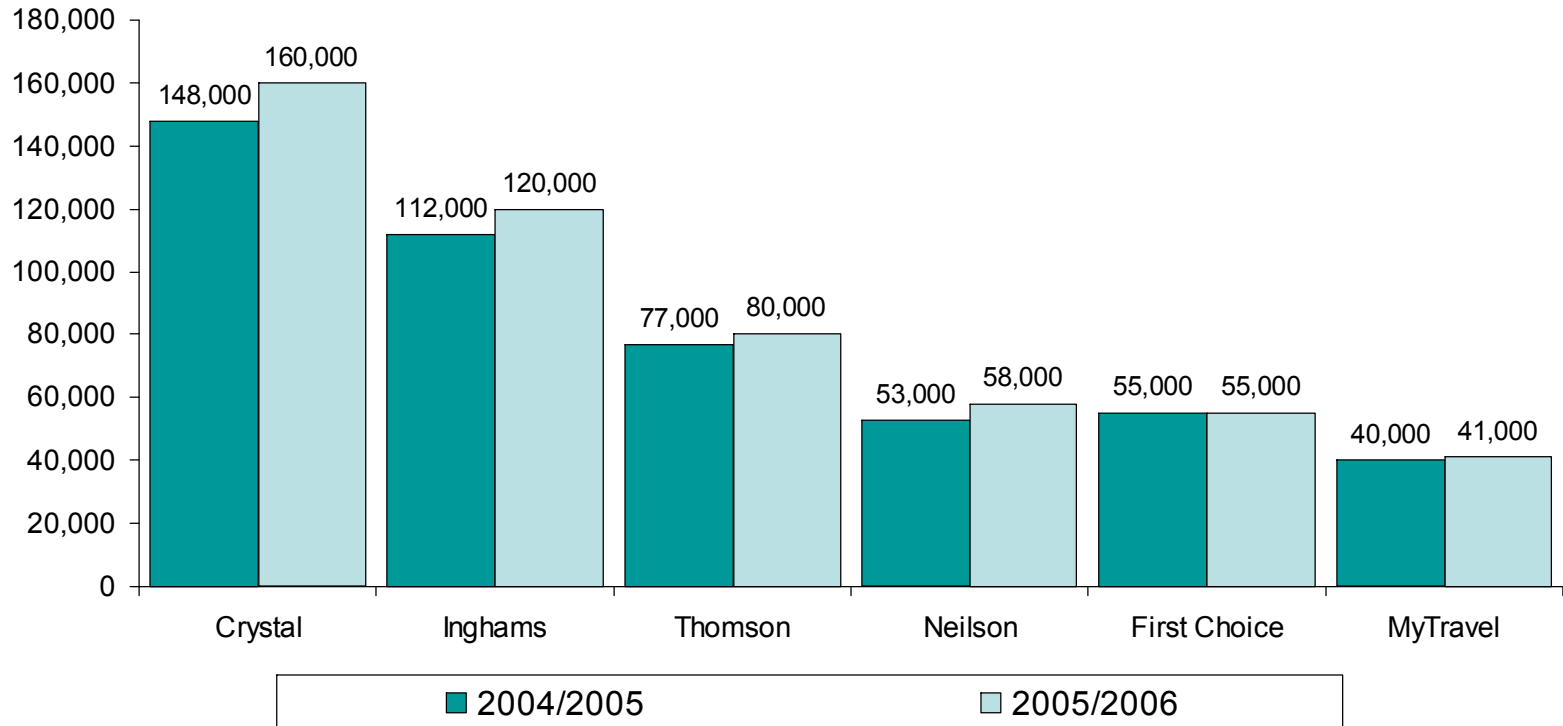
## 5 year overview

- « The 05/06 season saw growth from all of the top six operators, however the gulf between the top two and the next four has widened further.
- « Crystal and Inghams both grew in line with or slightly above the market trend.
- « The mid-sized companies, with the exception of Neilson, all experienced below-trend growth. Neilson's 9% growth is impressive. It is noted that the operator is for sale.
- « The squeeze on the mid-sized vertically integrated brands seems to be continuing.



# Total Tour Operator Market

## 2004/2005 vs. 2005/2006



Market Share	23.8%	17.9%	11.9%	8.7%	8.2%	6.1%
Yr on Yr Diff	+0.2 pt	-	-0.4 pt	+0.2 pt	-0.6 pt	-0.3 pt

(Total Tour Operator Market 670,000)



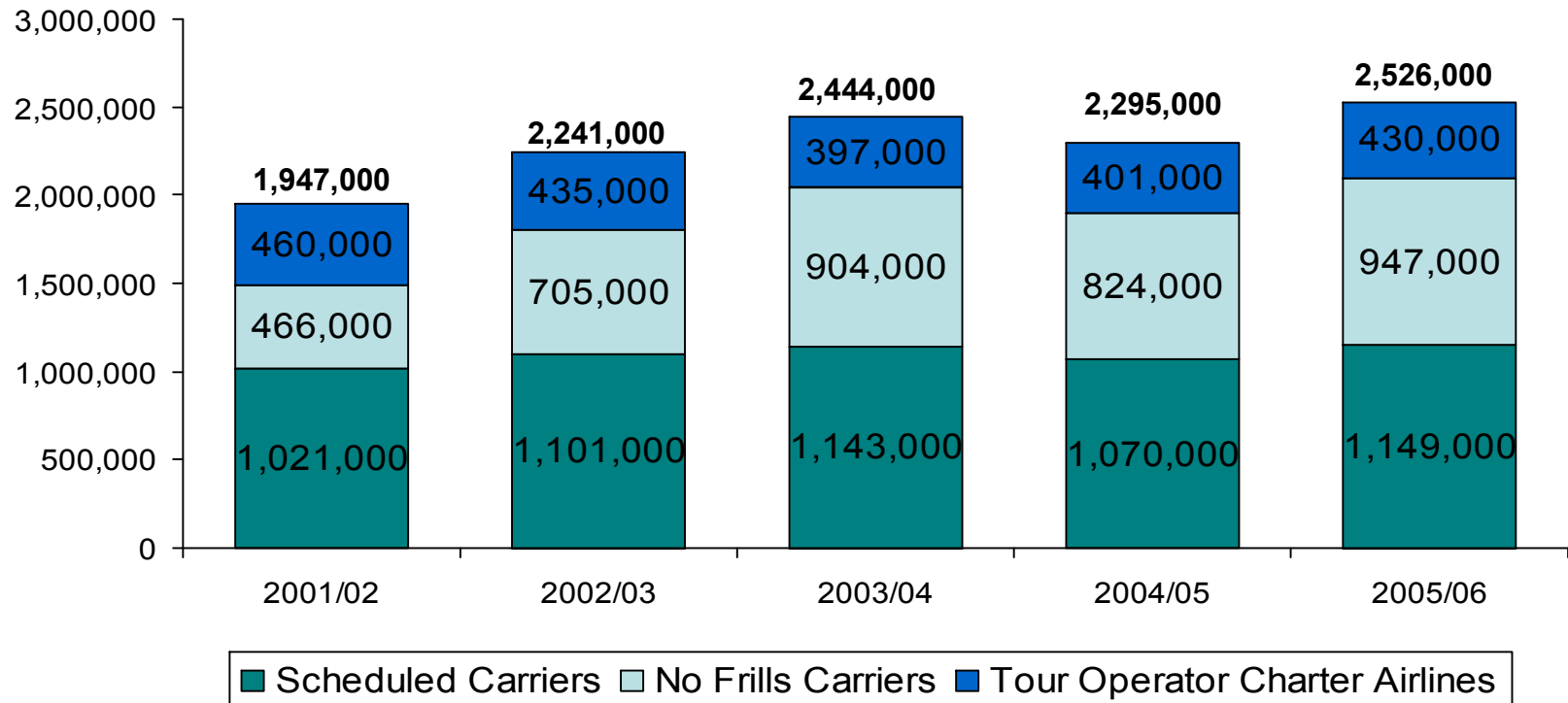
# Total Tour Operator Market

## 2004/2005 vs. 2005/2006

- « In 2005/06 the tour operator sector grew by 7%. The top six operators saw their market share slip 1 point to 77%.
- « Crystal continues to lead the market with a 24% share.
- « Inghams have further strengthened their hold on the number 2 slot with a share of 18%.
- « Nielson have leap frogged First Choice into fourth place.
- « Thomson, First Choice and MyTravel continue to lose market share with First Choice's product portfolio changes having a particular impact.



# Source of Aviation



Note: Scheduled carriers include tour operator chartered seats from scheduled airlines such as BA, Excel or Titan



# Source of Aviation

- « Aviation capacity has risen by 10% season on season, though this only represents a 3% rise on 03/4.
- « Charter airline capacity is up 29,000 or 7% which reflects the growth in tour operator ski volumes.
- « Winter 05/06 has seen 7% growth on the scheduled carriers in line with the general market and greater season length.
- « The no frills sector has bounced back from its capacity cuts of last year, with 15% growth though again this represents only 4.7% net growth over 2 years.
- « Moreover, the growth pattern is still very unstable with gains in Grenoble, Geneva and Chambéry marking retreats in Klagenfurt, Brescia and Toulouse.





# 2006/2007 Challenges

- Continued political/security uncertainty
- Fuel costs still sky high
- Easter late
- Turin Olympics – no bounce back
- More change within tour operator environment
  - Neilson - for sale
  - Inghams - change of Chief Executive



## 2006/2007 Upsides

- Euro and Dollar exchange rates
- Central and Eastern European destinations
- Continued strength in USA/Canada market.
- Ever-broadening range of tour operator offerings e.g. Japan, Lebanon
- House price mini-revival especially in South East and signs of return of business confidence
- Solid start to season's sales



# Crystal Ski Industry Report

## Part 2



# “No Frills” Carriers

- 15% growth
- Wider route plan
- Greater flexibility
- Link to hotel bed banks

Does all this constitute a significant threat to the tour operator?



# Aviation Capacity into Ski Resorts

	Easyjet	Ryanair No Frills	Other
2002/03	368,000	154,000	35,000
2003/04	501,000	234,000	25,000
2004/05	418,000	321,000	86,000
2005/06	524,000	322,000	101,000
Growth	+25%	+0.42%	+17.5%



# The Resistible Rise of the No Frills Carriers

- Ski tour operators generally in good health – 7% growth
- 2 years ago we looked at this and showed that the tour operators defences were quite robust
  - Consumer protection
  - Limited access to beds
  - Transfers to and from resort





# The Resistible Rise of the No Frills Carriers

## Developments in the last 2 years

1. Benefited from the no frills carriers
2. Distancing ourselves from no frills carriers



# The Resistible Rise of the No Frills Carriers

## 1. Benefited from no frills carriers

- i. website is a potent marketing and booking tool
  - ii. “Low cost” is a way of life
- No frills were the leaders in the low cost movement
  - Customers will only pay for what they perceive to be of value to them
  - Tour operators have taken this on board, though we should note that this feeds customer value and not exclusively price



# The Resistible Rise of the No Frills Carriers

## 2. Distancing ourselves from the low cost carrier

### i. Further specialisation in important market segments

- Beginners packages
  - ‘learn to ski’ sales growth
- Family market (Crystal Family and Esprit)
  - ‘Snuggle Club’
  - Nappy supply
  - English speaking crèche
- High end market (Crystal Finest, Inghams Luxury)
- Weekend breaks
  - Gatwick to Geneva charter and a wide choice of resorts, committed beds, fleet of minibuses



# Distancing Ourselves from No Frills Carriers

## ii. Extending range of routes available

- Japan: Niseko and Rusutsu
- Lebanon: Faraya-Mzaar
- USA Denver charter: continues after successful first year

## iii. Seeking out most convenient destination airports

- Sion, Berne, Nis, Klagenfurt, Chambéry, Grenoble, Kuusamo
- no frills carriers have made some improvements in their regional offering however, their record at overseas airports is somewhat more chequered



# Distancing Ourselves from No Frills Carriers

- large growth in major metropolitan centres e.g. Geneva, Lyons and Milan
- indeed, Geneva is the ‘big daddy’ of all no frills ski flying representing over 40% of business
- contrast the exit of Ryanair from Klagenfurt and (partially) Verona/Brescia
- Chambery once more in vogue, but the question of its sustainability remains
- it would seem clear that for the no frills model to work effectively at least 2 customer streams are necessary, ski alone will not give enough support



# In Conclusion

- No frills carriers have made a valuable contribution to customer choice
- Played a significant role in accommodation purchase and visiting friends and relatives
- Their impact on tour operators is less clear cut
- Tour operators have responded to the challenge by continuing to innovate, creating differentiated products targeted at the individual customer's needs and desires







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