



the **ski**  
industry  
report 2007



**invigorate** your senses

# Ski Industry Report 2007

Tuesday 17 July 2007

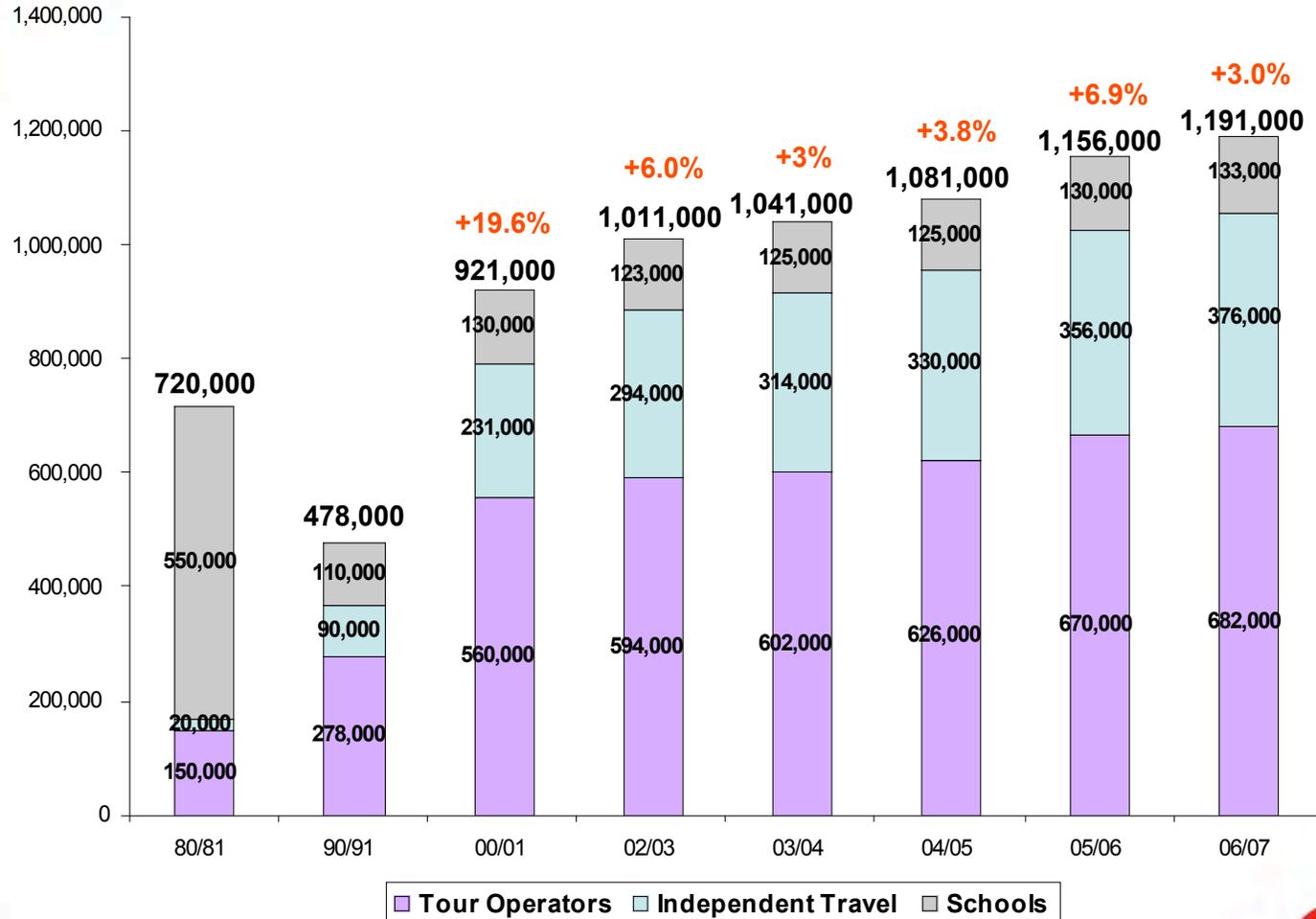
The Ski Industry Report aims to put together the various different sources of information available on the winter sports industry into one unified report. The sources include tour operators' own statistics, AC Nielsen's TravelTrack, Snowsport GB data, CAA published statistics, tourist office figures 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 1980-2007



# Total Ski Market

## Overview 1980-2007

- « In 2006/7 the total ski market grew by 3% with the growth occurring across all sectors
- « Tour operating sales continued to grow (1.8%) despite the challenging snow conditions of the European season
- « The schools market showed a 2.3% rise. The capacity restraints caused by the perceived necessity to travel in school holidays is still prevalent but there remains life in this section
- « The independent sector continues to grow with transport supply from no-frills airline capacity and the ongoing increase in 2<sup>nd</sup> home ownership of ski chalets and apartments

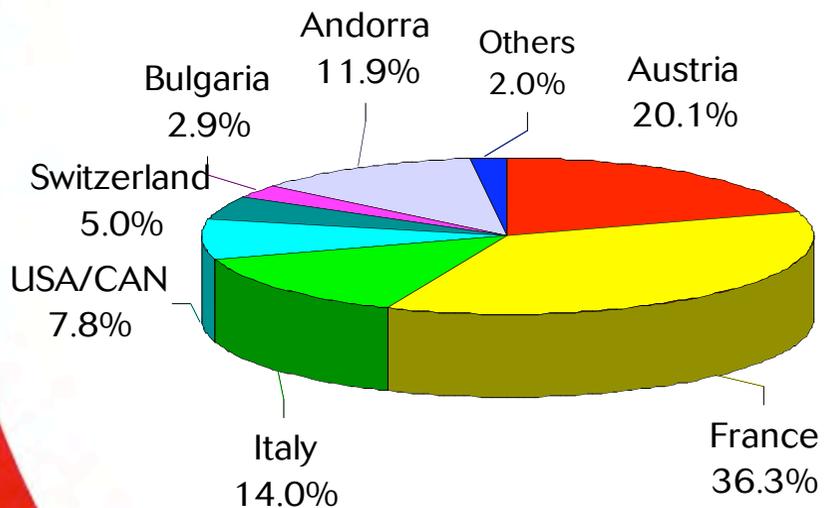


# Tour Operator Country Mix

## 2005/2006 vs. 2006/2007

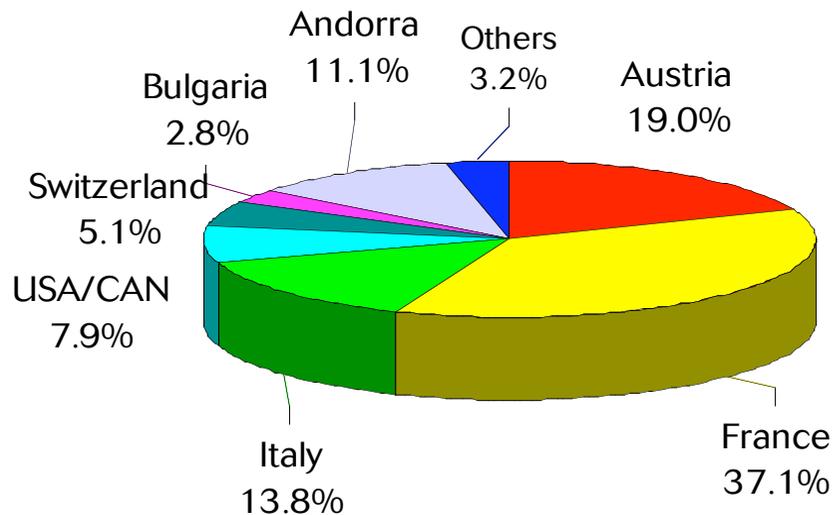
### 2005/2006

(Total Tour Operator Market 670,000)



### 2006/2007

(Total Tour Operator Market 682,000)



# Tour Operator Country Mix

## 2005/2006 vs 2006/2007

- France continues to hold a dominant position in the market. A 37.1% share reflects enduring popularity of the chalet and club hotel product and high resorts benefiting from the late Easter. In a difficult start to the season, skiers chose high resorts which favoured France
- Austria lost a percentage point of share since its low lying resorts suffered from poor snow leading to disappointing early season load factors
- North America, perhaps surprisingly given the great snow reports, only moved up 0.1% point. This reflects capacity constraints in both lift to North America and bed stock in resorts of choice
- Switzerland continues to edge up its share – it, like France, has benefited from having higher resorts in a “poor snow” winter



# Tour Operator Country Mix

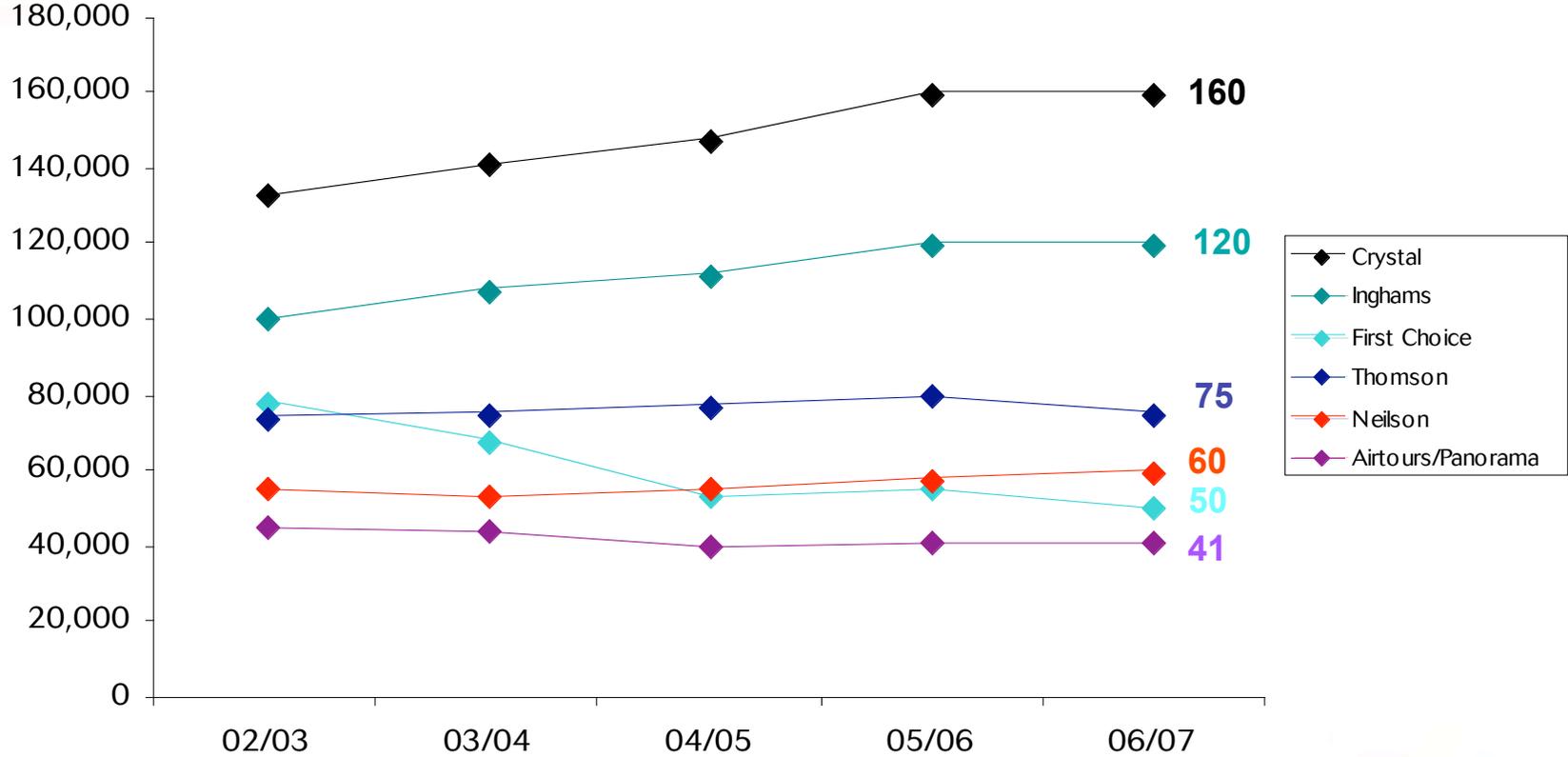
## 2005/2006 vs 2006/2007

- ⤵ Bulgaria's growth has stalled. Unless it remains price relevant demand will stabilise at this level
- ⤵ Within the "Others" category, the share has risen by 1.2% point. This reflects a mixed bag with growth in Slovenia, Serbia and Finland with a flat performance for Norway
- ⤵ Italy's small shortfall was perhaps caused by an extended hangover from the Olympics combined with the late onset of winter. Early signs for 07/08 are encouraging
- ⤵ Andorra suffered both from poor snow and the continuing change of product type from value to quality based offerings



# Total Tour Operator Market

## 5 year overview



# Total Tour Operator Market

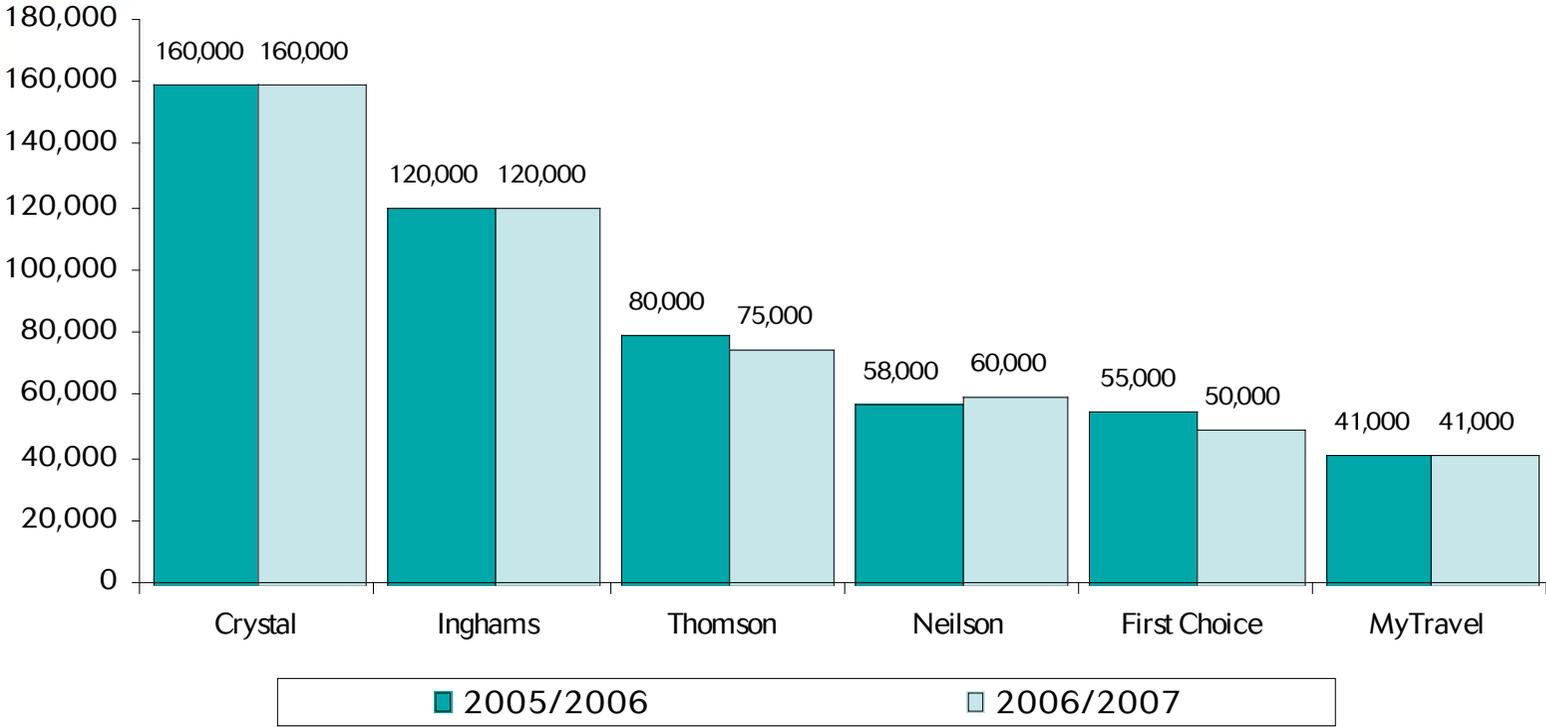
## 2006/07

- « Early sales were strong but the 'lates' market in December and January were impacted by poor snow and the extensive media coverage of environmental change
- « As a result of the poor snow the recent growth trend has slowed – we interpret this as a blip rather than a fundamental change to demand
- « Crystal and Inghams were both flat season on season although both were predicting growth at this point last year
- « Thomson and First Choice both lost volume suggesting a greater consumer preference for the specialist operators
- « Neilson continued to show steady if unspectacular growth– it is noteworthy that the “for sale” sign has now come down but it has exited the schools market



# Total Tour Operator Market

## 2005/2006 vs. 2006/2007



Market Share	23.4%	17.6%	11.0%	8.8%	7.3%	6.0%
Yr on Yr Diff	-0.4 pt	-0.3pt	-0.9 pt	+0.1 pt	-0.9 pt	-0.1 pt

(Total Tour Operator Market 682,000)



# Total Tour Operator Market

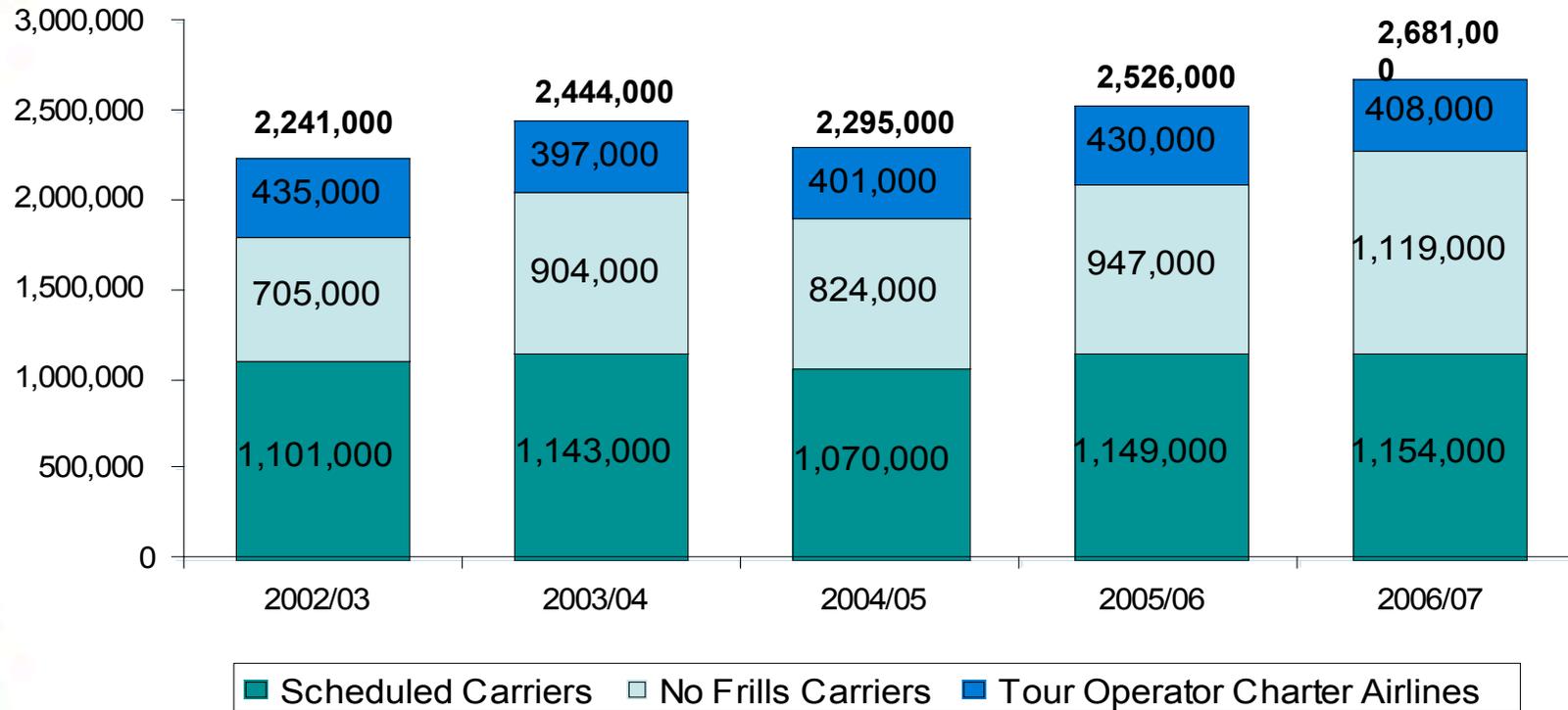
## 2005/06 vs. 2006/07

- « In 2006/07 the tour operator sector grew by 1.8%. The top six operators saw their market share slip 3 points to 74%
- « Crystal, though static in real terms, continues to lead the market with a 23.5% share
- « Inghams, though losing share, are comfortably ahead of the pack in the number 2 slot with a share of 17.6%
- « Nielson have consolidated their position in 4<sup>th</sup> place with a 0.1% point share increase
- « Thomson and First Choice were the biggest losers with both down nearly 1% point. Their programmes showing a particular bias for the poor performing destinations of Austria Italy and Andorra
- « Though the smaller operators collectively increased their share, no one player grew so significantly as to break into the top six



# Source of Aviation

## European ski capacity



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 6% season on season – the no frills carriers are up 18% whilst the combination of vertically integrated and independent airlines was down 2%
- « It is worthy of note that the load factors achieved by the charter operators will be 90% plus whilst the no frills carriers will deliver in the high 70s so the growth statistics for passengers will be similar
- « The no frills sector increase has come from new entrants into Grenoble, Salzburg, and Klagenfurt. There were however some small reductions in Lyon, Turin and Milan
- « It is evident that the no frills airlines need to find some short haul routes in the winter to support the ever increasing number of planes that they have for the summer. The regular changes to capacity and routes underlines the fact that only Geneva provides a genuinely economically viable model



# 2007/08 Challenges

- « Continued political/security uncertainty
- « Fuel costs still sky high
- « Poor snow conditions at the start of 06/07 impacting Dec 07 and Jan 08 departures
- « Further growth of the no frills capacity
- « Yet more change within tour operator environment
  - « Mergers of the owners of Panorama and Neilson, and of Crystal, Thomson and First Choice



# 2007/2008 Upsides

- ☞ Relatively benign foreign-exchange environment
- ☞ France, Italy and Switzerland good early bookings
- ☞ Continued strength in USA/Canada market
- ☞ Early Easter
- ☞ Solid start to season's sales
- ☞ Mergers of the owners of Panorama and Neilson, and of Crystal, Thomson and First Choice



# Crystal Ski Industry Report

## Part 2



# Crystal Ski Industry report

## Part 2

Two main issues

- « No frills flying – the death of tour operators?
- « Global warming – the death of skiing?



# No Frills Carriers the death of tour operators?

*“Package holidays offered through travel agents and tour operators have developed a deserved reputation for everything that is bad about travel.... No wonder they are a thing of the past.”*

*Andy Harrison - Chief Executive, easyJet*



# No Frills Carriers the death of tour operators?

## Aviation Capacity into European Ski Resorts

	<b>easyJet</b>	<b>Ryanair</b>	<b>Other No Frills</b>
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
2006/07	563,000	364,000	192,000
Growth	<b>+7%</b>	<b>+13%</b>	<b>+90%</b>



# No Frills Carriers the death of tour operators?

- « The two main players showed solid growth in capacity with 7% and 13%.  
However:
  - « Load factors were reported to be softening on both the main players
  - « easyJet flying on these routes is dominated by its Geneva offering which has a higher than usual business usage
  - « Much of Ryanair's growth came from re-entering Klagenfurt, an airport that it had dropped after a short stay
  - « The greatest growth came from new and smaller players in the market who in the past have had a chequered performance history
- « Capacity exists from the no frills carriers – but they have added to the ski market – not fundamentally altered it



# No Frills Carriers the death of tour operators?

- ⤵ No Frills are cheaper aren't they?
- ⤵ 3\* Hotel Eigerblick, Grindelwald
- ⤵ 29/12 for 7 nights
- ⤵ LGW – GVA

Crystal	easyJet	
HB Web Package	Flight	£195
	Train Transfer	£52
	Hotel B&B	£439
	£669	£686



# No Frills Carriers the death of tour operators?

- ⤵ No Frills are cheaper aren't they?
- ⤵ 3\* Hotel Strass Garni, Mayrhofen
- ⤵ 12/01 for 7 nights
- ⤵ From STN

Crystal	Ryanair	
HB Web Package	Flight	£123
	Hotel B&B	£326
£395		£449



# No Frills Carriers the death of tour operators?

It still remains true that the main bulwarks against death by no frills are

- Provision of bedstock that the customer wants – piste-side with good standards of service. Chalets and Club Hotels are still in demand
- Provision of the components in a unified manner – connecting for transfers or taking car hire has complications in the mountains that a city break or beach destination holiday does not have
- Product development and innovation



# No Frills Carriers the death of tour operators?

## Product development and innovation

Within the tour operator market we are seeing the greatest growth in demand in more customised product segments

### **Ski weekends/ short breaks**

Successful launch, now trebled product available. Guaranteed availability in top resorts such as Val d'Isere, Tignes, Meribel, Val Thorens, Saalbach and Kitzbühel all season.

- **Crystal Finest**

100% growth year on year with high-end chalets and hotels in the very best resorts available from a wide range of regional airports

- **Crystal Family**

Growing exponentially – highly customised child friendly service. Family Club Hotels with features such as express direct transfers with DVD's to keep the kids amused. All day ( most of the night ) child care!



# No Frills Carriers the death of tour operators?

No frills carriers are adding frills!!

## Ryanair

-  announced a 40% increase in ancillary revenues

-  announced in March 2007 deal with Expedia to provide its hotel content -

“we expect ancillary revenues will continue to grow at a faster rate than scheduled traffic”

## easyJet

-  announced an 50.6% increase in its ancillary revenues.

-  announced the creation of easyJetHolidays offering a range of hotel packages



# Global warming the death of skiing?

“OECD... estimates that 75% of glaciers in Switzerland will melt by 2050”

## Crystal's position

- ☞ We recognise that global warming is occurring and that it is a serious issue for us all. However, some of the reporting was alarmist and sensationalised which lead to the false impression that skiing would never be possible again
- ☞ We recognise that travel leaves a carbon footprint but we will continue to travel whilst taking practical measures to minimise our impact upon an environment that is so important to us as skiers



# Global warming the death of skiing?

- « Overseas units – energy saving lightbulbs, saving towels and reducing waste paper bins
- « Doubled the capacity of our snowtrain offering for 06/07
- « Since 2003 we have offered our customers the ability to offset their carbon emissions

Last year we changed the emphasis by adopting an opt out approach leading to a jump in offset bookings to – 13000 passengers 7% of the total.

- « We have ‘carbon neutralised’ our offices in Kingston and Harlow and today’s event
- « We welcome the government’s initiative to introduce carbon-offsetting industry standards



# In Conclusion

☞ Signs are good for next season

☞ Will it be a 'la nina' winter?



Here's to a snowy Christmas  
and a powdery new year!



