



the **ski**
industry
report **2008**

invigorate your senses

Ski Industry Report 2008

Wednesday 16 July 2008

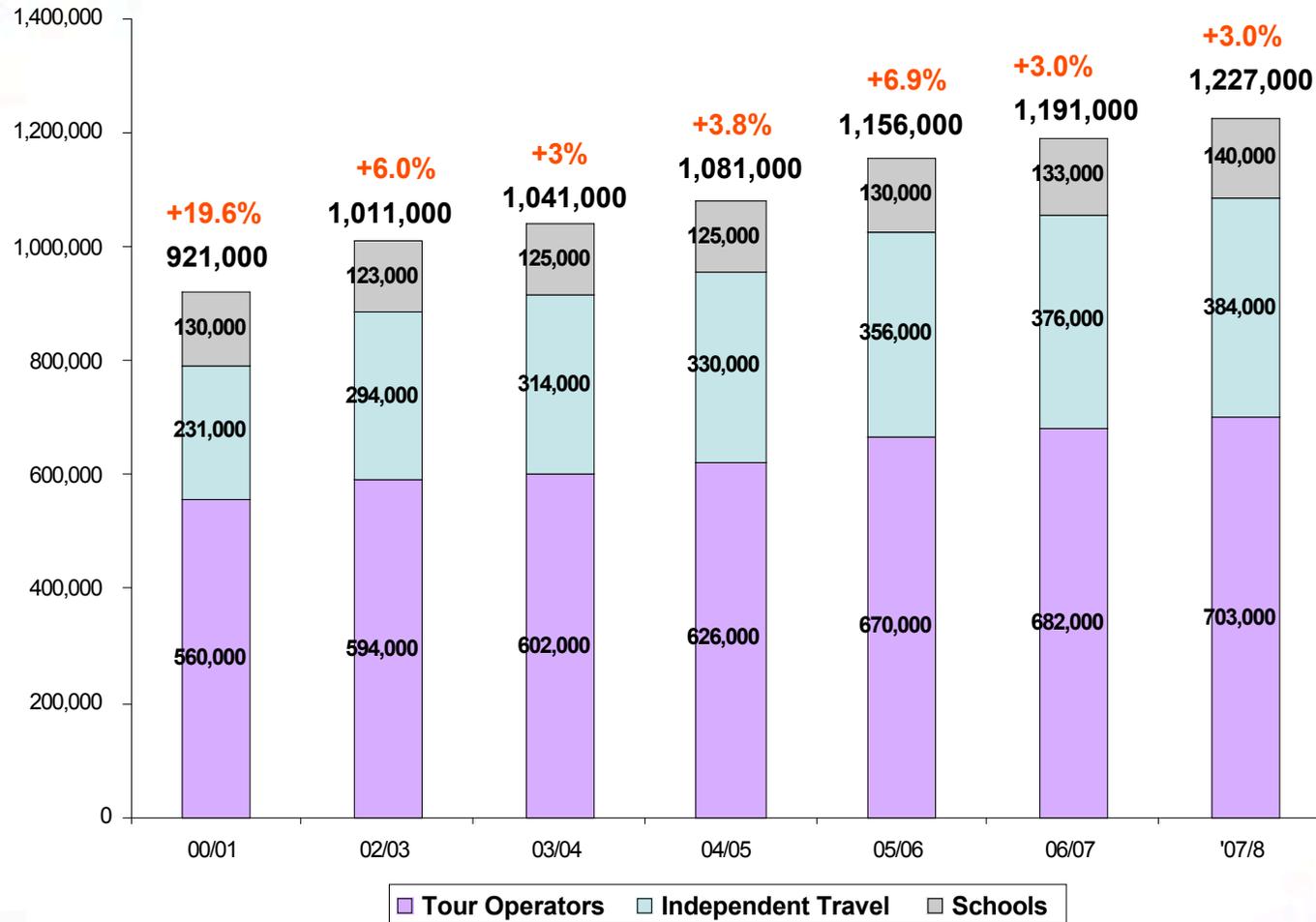
The Ski Industry Report aims to put together the various different sources of information available on the winter sports industry into one unified report. The sources include tour operators' own statistics, Snowsport GB data, CAA published statistics, tourist office figures and travel agency feedback.

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 2000/1-2007/8



Total Ski Market

Overview 2007/8

- « In 2007/8 the total ski market grew by 3% with the growth occurring across all sectors.
- « Tour operating sales continued to grow 3% recovering from depressed early sales caused by the poor snow record of the previous season.
 - « Early sales were impacted by the previous season's poor snow, particularly December and January departures.
 - « Great early snow reports, consistent snow throughout the season and an early Easter gave for a great recovery leaving the overall result in line with the general growth trend.
- « The schools market showed a 5% rise. Two half-term holiday weeks and an early Easter with up to 4 departure dates gave for greater availability.
- « The independent sector continues to grow however the picture is variable with some low cost carriers reducing their flight slot to relevant ski destinations.

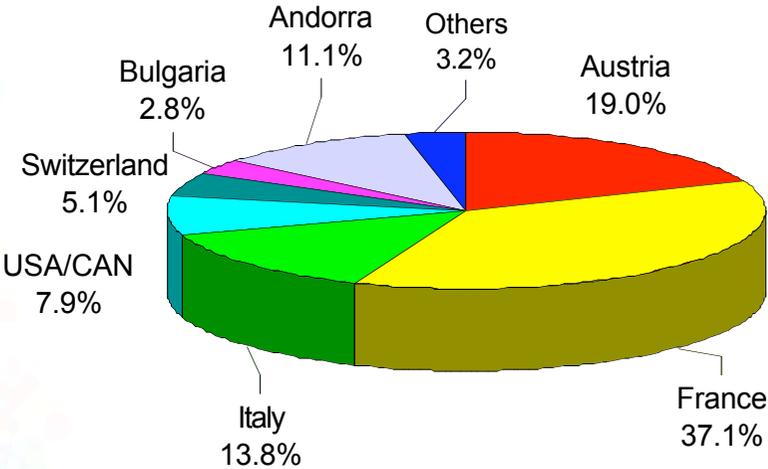


Tour Operator Country Mix

2006/7 vs. 2007/8

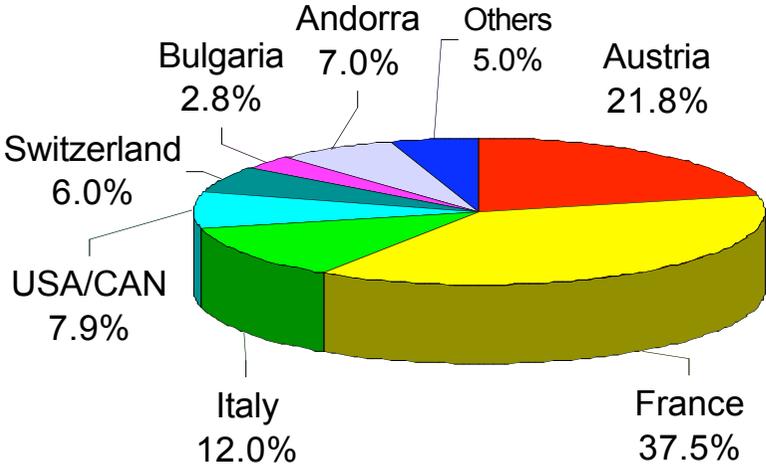
2006/2007

(Total Tour Operator Market 682,000)



2007/2008

(Total Tour Operator Market 703,000)



Tour Operator Country Mix

2006/7 vs 2007/8

- France continues to hold a dominant position in the market. A 37.5% share reflects enduring popularity of the chalet and club hotel product. In a difficult start to the sales season, skiers chose high resorts which favoured France.
- Austria more than recovered last season's losses reaping the benefit of the first reports of consistent early snow and an early Easter.
- North America remained static despite great snow reports and weakness of the US dollar. This reflects the capacity restraints on flights and the great snow in Europe.
- Switzerland continues to edge up its share – like France, it has benefited from having higher resorts during the early sales period after a poor winter.



Tour Operator Country Mix

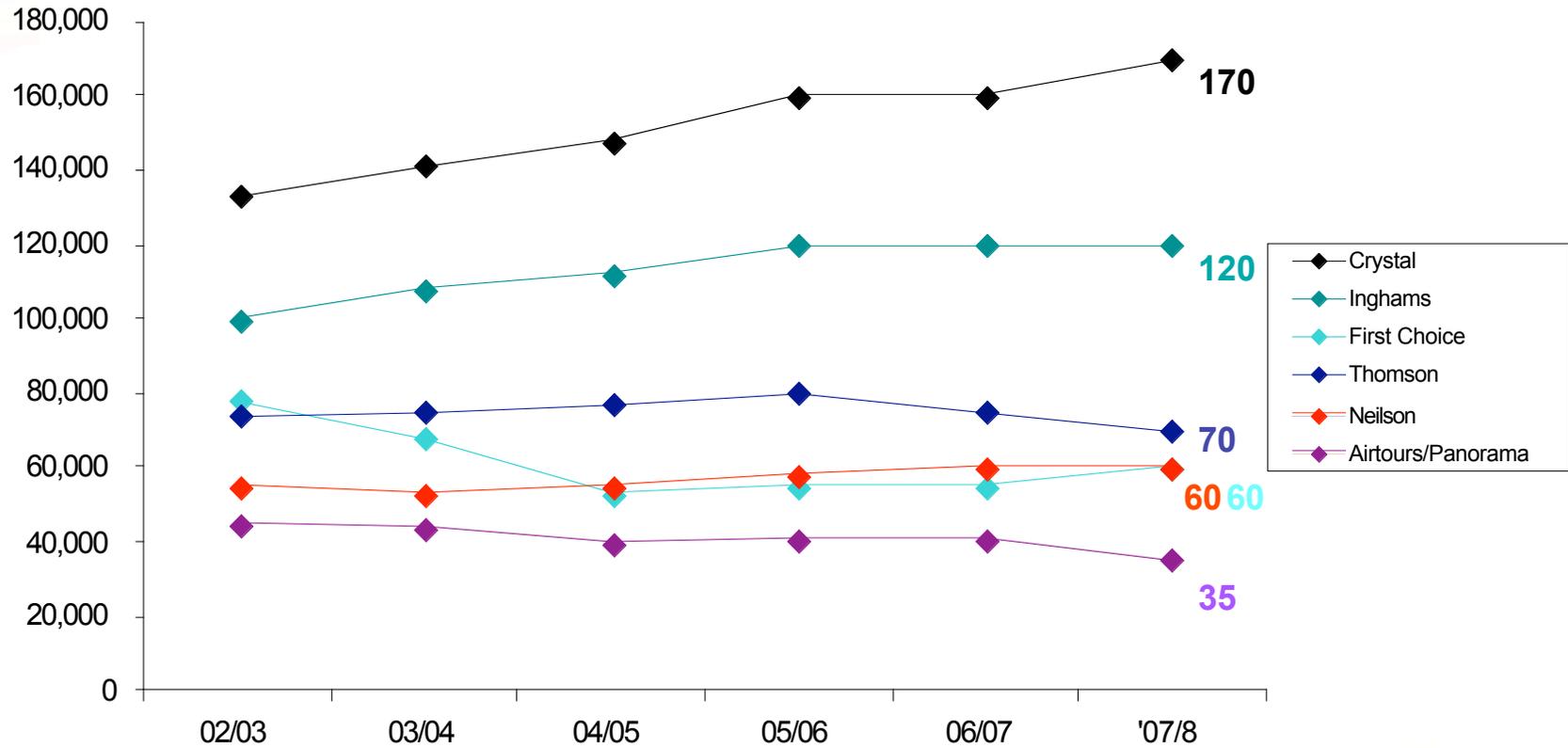
2006/7 vs 2007/8

- « Bulgaria's growth has stalled. The hangover from the previous season continuing to depress sales.
- « Within the "Others" category, the share has risen by 1.8% points. This reflects a mixed bag with strong growth in Slovenia and Finland with falls in Norway and Serbia.
- « Italy's performance was another example of the extended poor snow hangover. Its early promise flattered to deceive.
- « Andorra suffered both from relatively poor snow and the continuing change of product type which is leaving behind its traditional customer base and struggling to find a new one.



Total Tour Operator Market

6 year overview



TUI Travel PLC: Crystal, Thomson, First Choice

Thomas Cook: Airtours/Panorama, Neilson

Hotelplan: Inghams



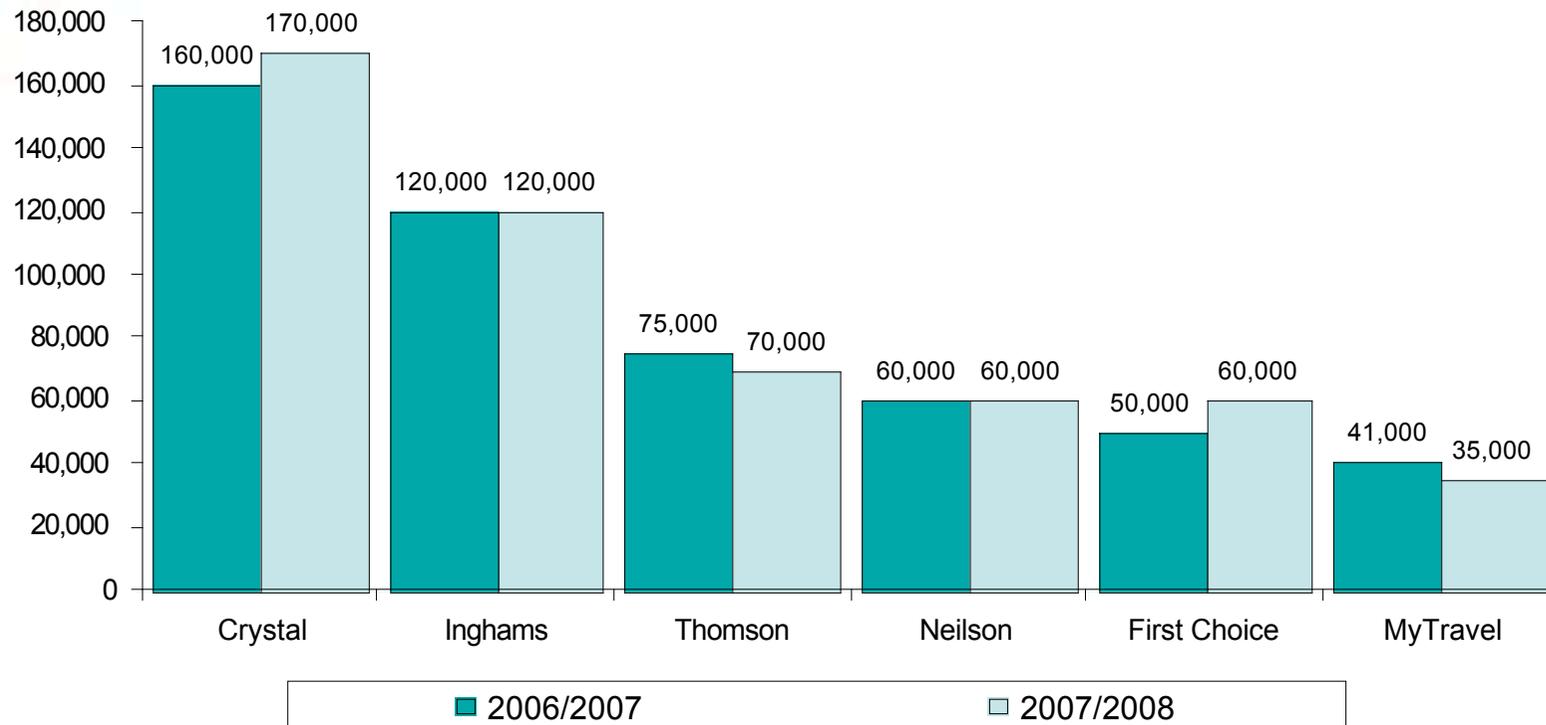
Total Tour Operator Market 2007/8

- « Crystal has enjoyed a record season gaining market share as a result of its greater presence in premium snow-sure resorts and growth in Finland.
 - « Strong sales in its highly differentiated Family and the Finest products.
- « Inghams responded to the previous season's issues by trimming capacity so its static volume performance was highly creditable.
- « Thomson took a prudent approach to early season capacity following previous year's snow.
- « First Choice had a strong season gaining 10,000 passengers.
- « Neilson's performance was static whereas its stablemates Airtours/Panorama continue to lose market share.



Total Tour Operator Market

2006/7 vs. 2007/8



Market Share	24.2%	17.1%	10.0%	8.5%	8.5%	5.0%
Yr on Yr Diff	+0.7 pt	-0.5 pt	-1 pt	-0.3 pt	+1.2 pt	-1 pt

(Total Tour Operator Market 703,000)



Total Tour Operator Market

2006/7 vs. 2007/8

- « In 2007/8 the tour operator sector grew by 3%. The top six operators' market share weakened a percentage point to 73%.
- « Crystal strengthened its market leadership by 0.7 %.
- « Inghams, though losing share, are still comfortably ahead of the pack in the number 2 slot with a share of 17%.
- « First Choice enjoyed a great season adding 1.2% to share equal 4th place with Neilson who delivered a flat performance in overall terms and thus lost some market share.
- « Thomson reduced its share following capacity reductions and underperforming destinations Andorra and Italy having a greater presence in its product portfolio.
- « The smaller operators collectively made a small gain on the top six position, however no major movement by an individual operator was seen.



2008/9 Challenges

- « General economic uncertainty
- « Fuel costs!
- « Euro, Swiss Franc and Canadian dollar exchange rate cost pressures
- « Late Easter and only one half-term holiday across the UK



2008/9 Upsides

- Good early season bookings across the industry
- Last year's great snow
- Premium market growing
- Exemplary investments by ski resorts – sustainable projects
- Late Easter
- Consolidating market



Crystal Ski Industry Report

Part 2

One main issue

 Credit crunch



What's in the papers?

Travel Weekly, 13 June 2008

“Is it the end of an era?’ The high cost of oil means air fares will rise, but does that really mean the demise of cheap travel?”

TTG, 4 July 2008

“Oil price puts air fares on the edge. Carriers warn surcharges and other fees will have to rise but fear passengers may refuse to pay more.”

The Times, 4 July 2008

“The credit squeeze is painful and will get worse. There's barely a crumb of comfort to be had from the Bank of England's latest credit conditions report.”

The Telegraph, 5 July 2008

Prime minister, Mr Brown said: "The world is suffering a triple challenge – higher fuel prices, higher food prices and a credit crunch.

The Independent, 3 July 2008

M&S's executive chairman, Sir Stuart Rose, said: "This is the fastest and most severe slowdown since the early 1990s. I can't believe this is an M&S exclusive problem. I think this is definitely a retail slowdown and we don't know where it is going."



What's the travel industry reaction?

TUI UK & Ireland managing director Dermot Blastland, 2 July 2008

“Despite talk of credit crunch, the vast majority of customers do not see their annual holiday as a luxury but rather a necessity.

TUI Travel PLC chief executive Peter Long, 13 May 2008

“Our customers are proving resilient and booking pattern and trading metrics show no indication that customers are trading down or altering their holiday plans as a result of economic conditions.”

Inghams chief executive Litsa Constantinou

“Bookings to Austria, France and Switzerland are well up. Skiers are passionate about their winter holidays and as in previous seasons, they will continue to head to the slopes.”

E-tid.com:

“Travel Sector shrugging off credit crunch” and “ Club Med sees strong first quarter”



Our view

The Skier

- « Demand is still high, forward bookings strong driven by
 - « Demand at the top end of the market
 - « Families securing great early booking offers
- « We expect the ski holiday to remain an unmovable fixture in the calendar, with customers becoming more selective
 - « Potentially an impact on ski weekends
- « It is possible to imagine skiers trading down, but so far we have no evidence of this.
- « Likely to become even more value conscious



Our view

The Holiday Companies

- « Increased costs combined with economic uncertainty present a challenge to everyone
- « We expect customers to be even more selective about who they travel with and what they buy
 - « Booking through large-scale operators who can deliver fabulous value
 - « Booking through small, niche companies offering a focussed product range
- « Low cost airlines are likely to suffer disproportionately and Michael O'Leary, chief executive of Ryanair, has welcomed high oil prices, claiming that it will drive “crappy competitors” out of business.
- « Consolidation of the market.



Our view

Top picks of ski resorts for 2008/9

 **Whistler**

 **Formigal**

 **Ischgl**

 **Ylläs & Levi**

 **Davos/Klosters**

