The small ski resorts of tomorrow:
Markets and structures.
The case of Ticino

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- The crisis - the case small ski resorts of Ticino
- The challenges
- The possible ways out - the case of Bosco Gurin
- Some conclusions
An overview of the Swiss cable car industry

Structural changes and challenges for the small ski resorts
Maturity and consolidation

- The cable car industry is in a maturity phase after the booming in the ‘60 & ’70
- The number of the ski lifts is decreasing after the ‘90s
  → Constant efforts to increase productivity: substitution of the old ski lifts with new generation-large capacity cable cars

Evolution of the number of transport modes

Source: RMS 2008
Concentration

- A few large companies own the largest share of the market

**Turnover structure (in %)**

<table>
<thead>
<tr>
<th>Segment's Turnover</th>
<th>% of the segment's turnover</th>
<th>% of companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>More than 5 mio. CHF</td>
<td>72%</td>
<td>12%</td>
</tr>
<tr>
<td>2 - 5 mio. CHF</td>
<td>16%</td>
<td>12%</td>
</tr>
<tr>
<td>1 - 2 mio. CHF</td>
<td>5%</td>
<td>9%</td>
</tr>
<tr>
<td>0.1 - 1 mio. CHF</td>
<td>7%</td>
<td>35%</td>
</tr>
<tr>
<td>Up to 0.1 mio. CHF</td>
<td>&lt;1%</td>
<td>32%</td>
</tr>
</tbody>
</table>

Source: RMS 2008
Challenges for small ski resorts

**Demand**
- Stagnation of the demand
- Concentration of the demand on the best sites
- Sophisticated clients with higher standards

**Offer**
- Low productivity (linear economies of scale)
- Lack of resources for re-invest and re-new the structures
- Small negotiation power
Small ski resorts in crisis – the case of Ticino

The situation of the ski industry in Ticino
Geographical and historical context

Cable cars distribution in Ticino

- First lifts built to meet the demands of the summer season and as a mean of transportation
- First tourists used them at the end of 1800
- Important in order to build dams

- Boom in the ‘60 & ’70 with the constructions of numerous small cable cars dedicated to winter sports
Financial situation

- The majority of the owners of the cable cars are facing a severe financial crisis provoked by:
  - high indebtedness
  - low profitability

Source: IRE, Lugano 2003
Creation of an unsustainable situation in Ticino

Decline
- Market stagnation
- Structures are getting old; the offer is getting less attractive
- Low profitability and huge debts

Intervention / interference
- Important public subsidies in the ‘90s
- Forced survival of the majority of cable car companies*
- Interruption of the subsidies starting 2005

Global warming
- Progressive raise of snow-line
- Shorter winters

Substitution
- Declining of the attractiveness of winter sports
- New competitors (e.g., tropical beaches)
- Non tourist alternative (e.g., fitness, wellness centers)

*If from a quantitative point of view the survival of the biggest part of the cable car installations represented a success for the Canton and its regions, from the market point of view this process has not permitted the natural reorganization of the supply.

Source: Keller 1998, adapted by C2B
Today’s report on the major ski resort in Ticino

- **Airolo**
  - (the largest ski resort in Ticino)
  - Closed

- **Bosco Gurin**
  - Bankrupted in 2008
  - Relaunch in 2009

- **Campo Blenio**
  - Relaunch in 2009

- **Carì**
  - Bankrupted in 2008
  - Relaunch in 2009

- **Nara**
  - Bankrupted in 2004
  - Relaunch in 2005
Challenges for the future and possible ways out

The case of Bosco Gurin - Destination Governance
Lifecycle - the model vs. the reality of Bosco Gurin

Model: Keller 1998
Analysed by C2B for Bosco Gurin
The dilemma of the small ski resort in Ticino

How to create value in order to maintain and renew the infrastructures, raising them to the market standards without public subsidies?

- Competition and substitution effect
- Concentration and integration in big resorts
- Maintenance and renewal of infrastructures
- Number of clients in decline
- Public subsidies

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Possible ways out

- Need for new **Business Models**
- **Management**: key factor for success
- Cooperation and innovation as a way out
Ways out

- According to WTO 2005, more tourism strategies will be based on public-private partnership, particularly in developed countries with a federal political system.

- Our solution consist in a public-private partnership built on trust, joint risk taking, informal structures and strategic consensus with the objective of having a positive impact on the level of growth in the tourist destination.

→ Destination Governance
Innovative forms of cooperation: Destination Governance Bosco Gurin

- The cooperation between public and private can lead to success and growth

- Local entrepreneurs
- Public-private company
- Research (R&D)
- Public authorities
- Governance strategic body
- Management executive body

The cooperation between public and private can lead to success and growth.
Why the need of Destination Governance?

- Destination wealth & attractiveness
- Destination performance
- Destination innovation
- Strategic entrepreneurship
- Demand for governance process
- Integrality of the governance process

Source: Padurean, 2010, PhD thesis
Destination Governance: create more value and capture it

Value created by partners and captured by partners
Value created by partners and captured only by destination (externality)
Value created between partners (innovation) and captured by the destination
New ways to produce value

The value created and captured (through externalities) by the destination substitutes partly the public subsidies that were cut off allowing renewal of infrastructures.
Destination Governance – reinforcing loop

Destination wealth & attractiveness → Destination performance → Destination innovation → Strategic entrepreneurship → Demand for governance process → Integrality of the governance process

Source: Padurean, 2010, PhD thesis
Innovation in the life cycle model

Model: Keller 1998

Demand / Offer

Time


Take-off

Expansion

Consolidation

Relaunch

The Manager

Destination Governance
Interaction platform of the pioneer, negotiator, salesman & manager

The Pioneer

The Negotiator

The Salesman

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Observations

 The governance process is not a management organization and is not directly operative; the private-public structure is mainly responsible for creating vision, mission and give control and support to the operational agent.

 In the process the focus is on relationships, networks and partnerships

⇒ the value comes from the interaction of the members and the integration of the products and services provided

 This governance model stimulates innovation, cooperation and competition and assures that the created value is captured within the destination and its members.
Conclusions

- Ticino represents a significant case in difficulty with small ski resorts & with small destinations faced with:
  - economic and financial difficulties
  - lack of long term strategic vision
  - lack of alignment to the global context

- The ways out are with the frameworks of:
  - New Business Models
  - Strategic Innovative Management
  - Cooperation and innovation among public and private

- The solutions for these difficult problems are relatively simple as long as they are implemented fast, efficient and in the context of a shared vision and a strategic alignment.
Thank you for your attention!

Questions?

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