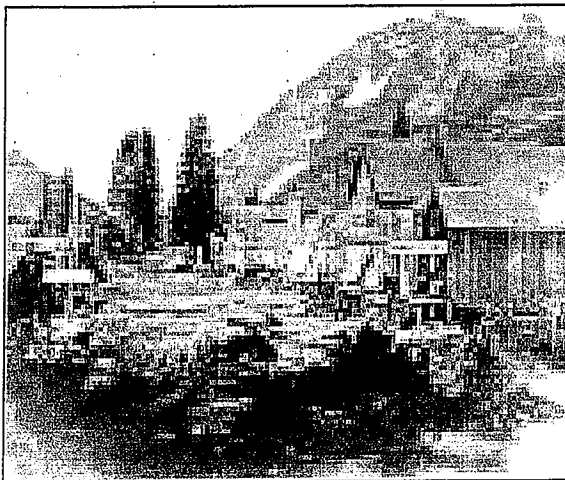


Why an Economic Analysis?

The town of Alta, Utah is home to one of America's oldest and finest ski areas. The Alta Ski area has an international reputation for the best powder skiing on some of the most challenging terrain. Because of Alta's tremendous reputation, neither the ski area nor the resort community has had to actively market to domestic and foreign skiers; return guests make up about 80 percent of the lodging demand and the ski hills have been packed with long-time Alta lovers. An enviable position, to be sure, but one that has not been and will not be able to be maintained in today's highly competitive vacation industry. In recent years, total sales in the town of Alta have steadily declined, occupancy rates in the lodges and rental condos are dropping and fewer skiers are taking advantage of the world's #1 rated ski area. As reported in the *Salt Lake Tribune*, Alta's "skier visits dropped from a high of 514,000 in the 1994-95 season to a low of 320,600 in 2001-02. While the number rebounded to 351,000 skier visits last winter, Alta's average annual growth rate over the past decade declined 3.4 percent. During that period, Utah resorts cumulatively experienced 1.3 percent growth while resorts nationwide grew 0.8 percent." (*Salt Lake Tribune* 8/30/03)



This study was commissioned to evaluate the reasons for declining sales and visitation and recommend ways to counter this trend.

The reasons are many, but the recommendations are quite simple:

1. Expand the market to bring new visitors to Alta;
2. Improve the "sense of place" that visitors experience when they come to Alta; and
3. Improve/expand the range of resort activities and services available in the community.

Alta is a unique ski resort; it is one of the few remaining resorts of international distinction that is not controlled by a single corporate entity. The lift operations, lodging and restaurants have always been held by separate organizations. And in true western form, each of these businesses clings to its independence and autonomy. This has created a situation where it is difficult to launch cooperative marketing efforts that are responsive to new market conditions. As a result, each property or resort service is marketed individually with no links to the other components of a planned vacation such as air travel, ground transportation, etc. In order to accomplish the three objectives outlined above, it will be necessary to create a mechanism that will foster enough cooperation among all businesses so Alta can effectively compete with resorts such as Vail, Whistler/Blackcomb, Aspen, Park City, etc.

There is Opportunity for Growth

Alta has a heritage of small, intimate lodges, condos and restaurants tucked into the hillsides at the top of Little Cottonwood Canyon. It is a wonderful, unique experience that has kept people returning for over fifty years. This feeling and visitor experience should be maintained and

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preserved. There is, however, room for growth in sales without meaning growth in development. Additional visitor services can be provided within the current or a slightly (and we mean slightly) expanded level of development

Where are the opportunities for increased sales? A comparison of how much destination skiers say they spend on their vacations and how much was actually realized in the town of Alta reveals a number of possibilities. Per-visitor expenditures at Alta are less than half those of Summit County visitors. Does this mean that Alta visitors spend less overall on their ski vacations? Not really. It means that Alta visitors are spending their vacation dollars elsewhere while in Utah – at Snowbird, the Salt Lake Valley or at other resort areas. Why? There is not the same level of services available to Alta visitors such as après ski activities,

family activities, convenience and other retail, or a selection of restaurants. For example, the condos are stocked with food from Salt Lake Valley food stores (and we're not recommending a grocery store at Alta), but where does the vacationer go to get the milk, soda or beer that they forgot to purchase while in town? We have estimated that there is up to \$3 million of lost sales in convenience retail alone. Many of these needs can be met through reconfiguration of existing properties to include a small area of convenience foods.



This is just one example of the scale of lost sales that occur because the goods or services are not available in Alta. We conservatively estimate that 30 percent to 40 percent of all food purchases made by Alta destination skiers is made outside of the town limits.

Alta has a limited market. Because only skiers are allowed at the resort,

snowboarders will go to other resorts. This exclusion may create more loyalty among the skiing public, but should be reconsidered on an ongoing basis. The "ski-free after 3:00" program will help address the snowboarder who wants to stay at Alta but will do his/her boarding at Snowbird, but in our experience, families on a ski vacation want to be together more than just off of the mountain. Thinking through ways that families with boarders can connect with each

other for lunch **at Alta** should be undertaken.

Alta's market is also limited in the demographics of those who choose Alta. The young-families-with-children market is not proportionately represented at Alta (compared to other destination resorts). The average income of Alta destination skiers is lower than that for other resort areas. And Alta may be missing the "tech-smart" market because it has not established an easy-to-use mechanism for

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internet-based sales. Internet use for vacation planning is a growing trend in the US and in the world and needs to be incorporated into the Alta booking experience.

There is also a very limited summer season at Alta. With few activities and events that are not broadly marketed, the summer season is primarily a week-end only, private party affair.

These so-called "limitations" all represent opportunities for growth in the market for the Alta resort community. Most can be taken advantage of with little or no change to the Alta ambience and atmosphere.

What Can Alta Do?

Alta should consider establishing a goal of increasing sales in the community by 100 percent over the next five years. What would this mean?

- An active summer season with events, meetings, and other activities that will fill beds in lodging facilities and seats in restaurants;
- Full occupancy throughout the winter season – including November and April--filling the rooms now going vacant through more aggressive marketing, easier vacation booking and group sales;
- More après ski activities such as dining, dancing, entertainment and night life;
- A main street that will attract visitors to walk and explore all of the wonderful the services that now exist at Alta.

How can this be accomplished? There are a number of ways.

- Create a web-based sales program that allows Alta visitors to book their Alta vacation with "one click."
- Tackle the group sales market. Group sales are targeted for times where there

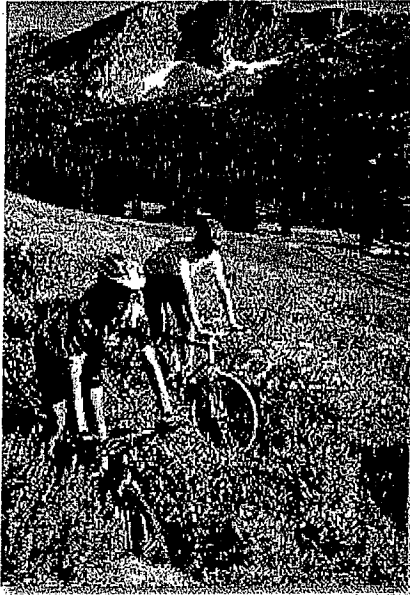
is excess capacity, such as summer seasons and shoulder seasons. Other resorts in Utah are going after these groups and recently a marketing executive for a major Colorado resort stated that group sales were becoming an important part of its winter market. Groups come when the more fickle individual traveler may cancel a planned vacation due to weather or snow conditions. The resort meetings market generally is for smaller meetings that could be accommodated in the limited bed-base that exists at Alta.



- Increase spending by offering the services that visitors are leaving Alta to find. Dedicating a small portion of an existing retail operation to convenience foods – and letting visitors know that it is available – is an obvious approach.
- Improve the quality of the services that exist to attract visitors to stay longer and spend more. Many of the facilities appear run-down and offer little "curb appeal."
- Provide world-class service and facilities in order to attract higher-income families with children. These families demand this from a world-class resort like Alta. Match the customer experience and service to these expectations.
- Establish a "way-finding" program that will help brand the Alta resort as well as

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deliver the current visitor to the existing services. Currently there is little signage that makes a visitor aware that



he/she has left Snowbird and entered Alta – except maybe that dogs are not welcomed. There is no signage that tells a first-time visitor where to park to ski or where to buy a ticket, let alone where to go to get a beer, a cup of coffee, a meal or new ski apparel or equipment.

- Create a "sense of place" at Alta. The street currently feels like a back alley providing access to the avalanche-protected stairways of major facilities. Signage; street furniture; street lights (that don't interfere with the viewing the night sky); improved front door treatment of businesses; easier business access for children in strollers, the elderly or infirm; and planting areas all contribute to the "feel" of a community.

This long list can be summarized as:

- A professional, competitive marketing program for the Alta resort community;
- Public improvements; and

- Increased quality and range of existing services.

The last item falls to the local businesses for implementation. For the first two items to occur, the appropriate level of resources must be dedicated. If that happens, the goal of increasing sales by 100 percent in five years is achievable.

How Can This be Accomplished?

The primary requirements will be to 1) identify stable funding and 2) bring in qualified professionals to implement the programs. The latter will not occur without the former.



We recommend that the community consider establishing a Chamber of Commerce/Convention and Visitors Bureau. This organization would be able to receive public funds from county and local transient room tax and resort tax – both taxes that are substantially passed directly to the visitors to Alta. An increase of ½ of 1 percent in the resort tax would produce roughly \$160,000 and a local transient room tax of 1 percent would generate about \$100,000 for a total of \$260,000 annually. In addition, the chamber/bureau would charge membership fees (estimated at roughly \$40,000 based on prior contributions to the information office) and a strong argument could be made to retain a portion of the county transient room tax.

These funds combined could support the beginnings of a professional marketing organization for the Alta resort community. (While this may seem like a lot of money, it is about one tenth the size of an "up and running" professionally staffed organization. For comparison, the budget of the Park City Chamber Bureau is \$3.75 million.)

The chamber/bureau's responsibilities would include selling Alta to local, national and international markets through a world-class marketing campaign. In addition, it would handle group sales for off-peak periods and summer seasons. It is necessary to have a separate organization handle this because it will likely require combining lodging and possibly eating facilities to house a larger group. Finally, the chamber/bureau could act as a central reservations system for the entire Alta community.

In order to implement the public improvements required to institute a "way finding" program and to create that sense of place discussed above, the town has two options. It can oversee and fund these improvements out of general fund moneys, or it can establish a special improvement district intended to support economic development, similar to the Downtown Alliance in Salt Lake City (an "SID"). The SID would be funded through a dedicated property tax in a defined area. Typically, these organizations are separately staffed from other city functions. It may be possible that the mission of the SID and the mission of the



existing organization Alta Community Enrichment could be combined in a single agency with dedicated funding for public improvements and special events. Based on current taxable value in the Town of Alta of \$162.3 million, a special SID tax of .000123 could generate \$20,000 annually to fund these improvements. If primary residences are excluded, the rate would be roughly .000154.

The old adage that you get what you pay for is applicable in this situation. The businesses in the Town of Alta have tried to tackle the marketing question in the past with voluntary contributions and a single phone line. If Alta desires to expand its market and the sales that are made in the town, it is necessary to take it to another level. Heavenly Valley, Breckenridge, Vail, Beaver Creek, Keystone, Squaw Valley, Winter Park, Copper Mountain, Big Sky, and Whistler Blackcomb all had ads featuring central reservations numbers and websites in the September 2003 Skiing Magazine. If Alta is to compete, it needs to be at the party.

Next Steps:

1. The Town Council needs to consider enacting by ordinance the municipal transient room tax in the full amount of 1 percent.
2. The Town Council should determine if an increase in the resort tax to the maximum level of 1.5 percent shall be on the November 4th ballot.
3. The Town Council should consider establishing a Special Improvement District for enhanced public improvements outlined above.