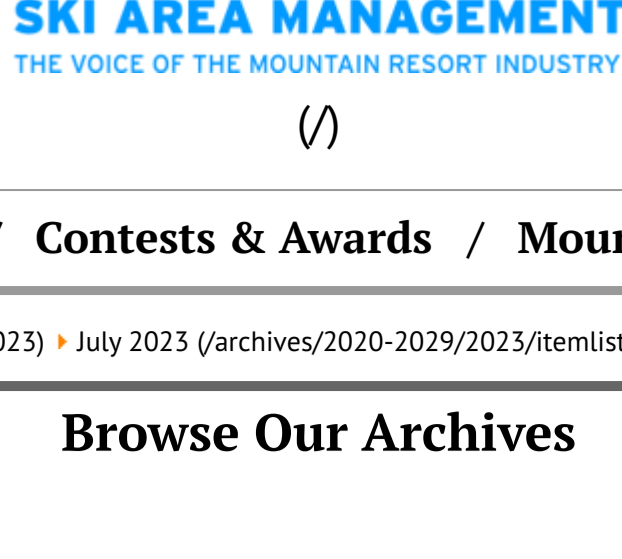


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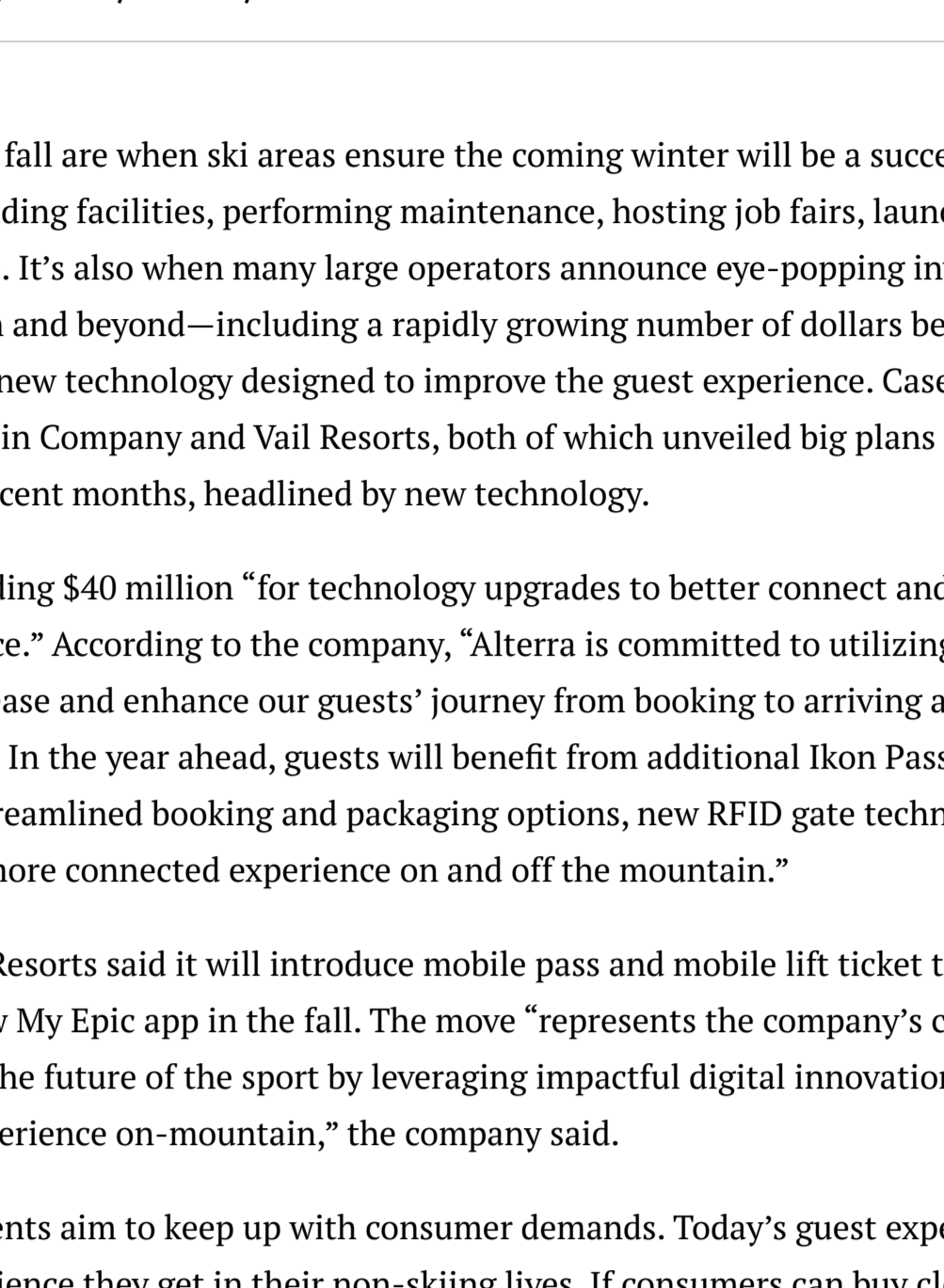
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THE RISK OF NOT INVESTING IN TECH

A look at the costs of investing—or not investing—in the latest the latest software and what the future may bring.

Written by Eric Smith | 1 Comment comment



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Summer and fall are when ski areas ensure the coming winter will be a success, installing new lifts, upgrading facilities, performing maintenance, hosting job fairs, launching pass sales, and more. It's also when many large operators announce eye-popping investments for the next season and beyond—including a rapidly growing number of dollars being committed to investing in new technology designed to improve the guest experience. Case in point: Alterra Mountain Company and Vail Resorts, both of which unveiled big plans for the 2023-24 ski season in recent months, headlined by new technology.

Alterra is spending \$40 million "for technology upgrades to better connect and streamline the guest experience." According to the company, "Alterra is committed to utilizing consumer technology to ease and enhance our guests' journey from booking to arriving at our destinations. ... In the year ahead, guests will benefit from additional Ikon Pass app features, significantly streamlined booking and packaging options, new RFID gate technology at most resorts, and a more connected experience on and off the mountain."

In March, Vail Resorts said it will introduce mobile pass and mobile lift ticket technology to guests on a new My Epic app in the fall. The move "represents the company's continued investment in the future of the sport by leveraging impactful digital innovation to deliver a great guest experience on-mountain," the company said.

These investments aim to keep up with consumer demands. Today's guest expects the same seamless experience they get in their non-skiing lives. If consumers can buy clothes or cleaning products on Amazon via one-click ordering, they might wonder why they can't reserve rental gear and preorder lunch at their local hill with the same ease.

INVESTMENTS INDUSTRY-WIDE

Alterra and Vail Resorts have significant capital to leverage when it comes to tech investments, but what about the overall industry, including smaller resorts that don't have as deep of pockets?

According to Adrienne Saia Isaac, director of marketing and communications for the National Ski Areas Association (NSAA), the industry's total tech spend for the 2022-23 season was just \$12.6 million, down from \$14 million in the 2021-22 season.

But, says Isaac, "I do think that ski areas will continue to invest more in technology that improves the guest experience, irrespective of what was reported to us here [this year]."

This is only the third season NSAA's annual Kottke End of Season and Demographic survey has asked ski areas how much they spend on tech specifically as part of their overall capital expenditures, and not many have begun reporting those figures to NSAA, says Isaac. She expects to see more ski areas break out this category in future spending surveys, meaning more robust data around tech spending in the coming seasons.

Investment obstacles. Resort owners might recognize that updated systems have the potential to transform their operations and guest experience, but they also face several constraints when it comes to technology investments, including tight budgets, thin margins, overworked IT departments, multiple legacy systems, and a labor shortage.

And when resorts do have funds to invest in improvements, they often forgo less sexy upgrades like a new ticketing system or e-commerce platform, instead allocating dollars to headline-grabbing improvements such as new lifts, expanded terrain, and base area renovations.

INVESTMENT DRIVERS

The number one reason to invest in tech, vendors argue, is to improve the guest experience. But other, equally important drivers are at play. For one, it allows resorts to remain competitive with skiing and non-skiing rivals for business.

Also, with the aging out of baby boomers and early Gen Xers, and the growing ranks of millennials and Gen Z—two generations that might not tolerate outdated systems—a savvy digital presence has become table stakes for resorts that want to remain relevant. The cost of not investing could result in losing the next generation.

Easing staff shortages. Another factor is the labor shortage, which has long been a problem at ski areas but festered during Covid as demand for mountain town housing soared. Technology allows resorts to hedge against that shortage by automating some jobs and decreasing the number of workers needed on-site.

"Longtime industry veterans are retiring or making the switch to other lines of work, attracting new talent is tough, and engaging—and keeping—current staff has never been more important," says Mechele Larmore, SVP of sales and marketing for access. "At the same time, guest expectations for what makes 'a great day on the mountain' are at an all-time high."

Resorts are increasingly embracing technology to reduce staff and, more importantly, the day-to-day burden of manual labor, says Doug Mandic, vice president of sales and marketing and co-owner of OnlySky. With the right tech, says Mandic, "What few people ski areas can afford to hire, they can now repurpose into higher-value tasks than managing schedules or issuing refunds for lift tickets."

MEASURING ROI

Profit margins are already under pressure at many resorts, meaning the bottom-line impact for a tech investment will be top of mind for a GM or CFO. After all, this industry doesn't innovate just for the sake of innovating, according to Gregg Blanchard, vice president of marketing for Inttopia.

"Our innovation typically follows some necessity or constraint or something like that," Blanchard says. "The innovation that came out of the pandemic with contactless pickup was a necessity. People wanted to do it for years and the tech was there, but it wasn't until it was a necessity that it drove some real adoption."

Rob Clark, CEO of Aspenware, is on a mission to "get tech considered in the same breath as lifts and snowmaking" by showing resorts what they'll get in return. "You can calculate the ROI of a ski area restaurant—when you'll make your money back and when you'll start making a profit—but you can do the same thing with technology," explains Clark. "The frictionless purchase experiences where people are encouraged to upgrade to a demo or to package in a rental with a lift ticket or package in a lesson have easily calculable ROI. The return you're going to get for such an investment is manifold the actual investment itself."

The math. In other words, he says, by calculating the amount of time a skier spends at a resort makes using the newest tech tool a ski area has implemented. "If you can reduce the overall value of said tech at season's end, providing a clear ROI," Clark says. "It's not just about the cost of the tech, but the value it brings to the resort."

What if you have technology needs across your operation but can't afford to buy one solution for next season? In that case, start with wherever the operation is experiencing the worst friction, says Samuel Roux, product manager for Paradox access.

"It's always about, 'How can I fix my biggest problem at the lowest cost?' Roux says. "Ideally, which solution has the best cost-to-benefit ratio, and that's where you should spend your money. If you invest in the right technology, select a solution that's associated with your business needs, embrace the process, and follow the right steps. Then you'll see ROI."

THE (NOT TOO) DISTANT FUTURE

As the first article in this series outlined, the ski area of the future isn't that far off. Investments in the right technology can revolutionize the way resorts operate, reducing congestion, optimizing lift and streamlining ski school bookings and check-in, and empowering the customer with new self-service capabilities. Improved e-commerce and new ticketing solutions, like mobile ticketing, and lift access through mobile devices, along with the aim of getting guests on the snow faster.

"Technology's job is like an almost imperceptible undercurrent," says Clark. "If we do our job, you're not going to say, 'Wow, I'm surrounded by technology when I'm on the hill.' You won't even notice the technology because it's that seamless."

That seamless experience is one of the drivers of the vision behind SnowCloud, a technology solution from SNOW Partners. Company CEO and co-founder Joe Hession wants ski areas to adopt more tech because it's happening with or without them. Laggards will get left behind, he says.

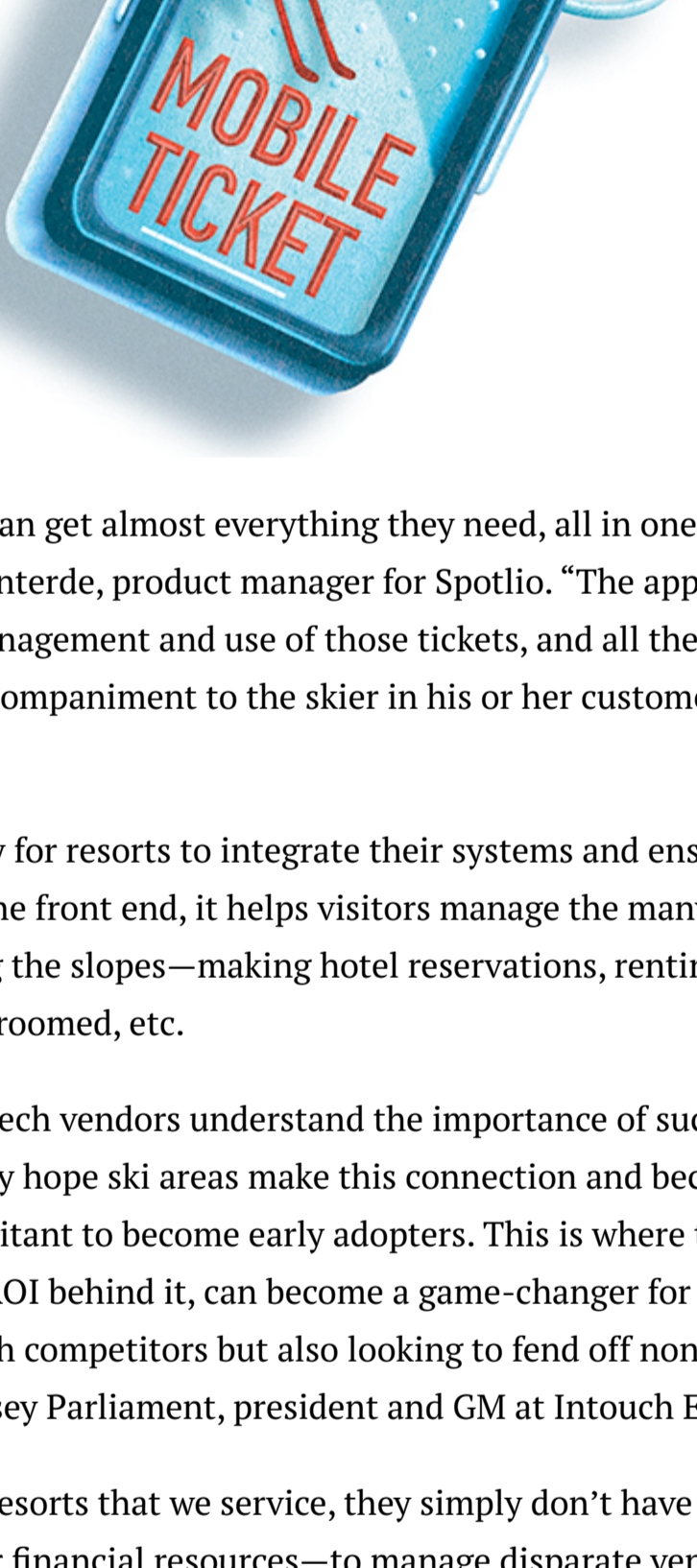
Embracing the future. "Everyone's capable of predicting the future. The problem is most people can predict the future and then talk themselves out of it," Hession says. "If I said to a bunch of resort people, 'Will tickets be on phones?' The answer is yes. 'Will your snowmaking be fully automated?' Again, the answer is yes. All those things will happen. Now ski areas need to think, 'OK, how do we get there faster?'"

BRIDGING THE GAP

For some ski area leaders, just thinking about—let alone purchasing, adopting, and implementing—the latest technology might seem analogous to a beginner navigating a double-black diamond. It's overwhelming, more than a little frightening, and easier to just bail. But just as skiers start on the bunny hill and work their way to greens, blues, and beyond, resorts can begin to bridge their technology gaps by adding new features or integrating existing ones that don't sync.

Mobile app. They just need a little guidance from one of their unified partners. And they can likely start by adopting the simplest of tools, one that offers a vendor user experience, or UX, for ski area visitors—a mobile app.

"In order to offer and use mobile tickets and passes, a mobile app is needed," says Ram Mikulas, North America and Pacific sales manager for Spotlio. "With this new technology, a trend we expect to see is more resorts providing mobile apps for their customers to use as a tool, not just for information."



Through an app, skiers can get almost everything they need, all in one location on their phone, explains Aric Monderde, product manager for Spotlio. "The app can have commerce to purchase tickets, the management and use of those tickets, and the ability to manage the ride that provides the best accompaniment to the skier in his or her customer journey," Monderde says.

A ski area app is one way for resorts to integrate their systems and ensure they're all talking to one another. But on the front end, it helps visitors manage the many tasks they need to accomplish when hitting the slopes—making hotel reservations, renting gear, ordering lunch, seeing which trails are groomed, etc.

Integrated experience. Tech vendors understand the importance of such tools for people in their everyday lives. They hope ski areas make this connection and become fast followers, even if operators are hesitant to become early adopters. This is where technology adoption, and understanding the ROI behind it, can become a game-changer for ski areas not just looking to keep pace with competitors but also looking to fend off non-skiing threats like the dreaded Disney, says Casey Parliament, president and GM at Intouch Elevate.

"For a good bulk of the resorts that we service, they simply don't have the resources—whether it be human resources or financial resources—to manage disparate vendors and disparate technologies," Parliament says. "Bringing together a seamless guest experience is one of the biggest opportunities I see—truly providing that seamless and integrated experience."

WHAT'S NEXT?

When asked about how artificial intelligence will begin to play a bigger role in all aspects of our lives, including ski trips.

"What will make a difference is the addition of AI technology to those interfaces," says Charles Von Thun, CEO of OnlySky. "For example, when you're going to buy something, instead of saying, 'OK, I know I need a lesson and I need a lift ticket,' you would say in a natural language format to the device, 'Hey, I'm thinking of skiing on Saturday with my kid.' And then you're interviewed by the device about what you need."

According to Parliament, ski areas will use AI to handle several functions for both guests and backend operations. For example, "A lot of resorts have adapted dynamic pricing concepts, but the administration of the pricing and/or inventory is still manual," he says. "I certainly expect that we'll see AI utilized to optimize that pricing, to maximize yield."

"The second is personalization. If I can differentiate you from, say, a family of four with two kids from New York who might be coming out here for their one trip to Colorado, and start to present you with different options, different packages tailored for you as a specific individual, that helps create that frictionless experience. And again, that's where AI comes into play. We're going to see a revolution over the next few years here."

When, not if. Widespread use of AI and other tools such as machine learning and artificial intelligence might be a long way off for ski areas, according to tech vendors who are still trying to get ski resorts on modern POS or lift access systems, but they all agree there's a dizzying amount of newfangled technologies on the horizon. It's not a matter of if, just when.

"Anything's possible when it comes to where tech can go and how the ski industry uses it," says Erin Cock, product manager at Active Network. "You realize this if you've seen how the AI site ChatGPT can write anything in a few moments. Who knows what tech might get adopted for ski areas?"

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