

UNWTO
World Tourism Organization

Sustainable Mountain Tourism

Opportunities
for Local Communities

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Sustainable Mountain Tourism – Opportunities for Local Communities

ISBN (printed version): 978-92-844-2025-4
ISBN (electronic version): 978-92-844-2026-1
DOI: 10.18111/9789284420261

Published by the World Tourism Organization (UNWTO), Madrid, Spain.
First printing: 2018
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Citation: World Tourism Organization (2018), *Sustainable Mountain Tourism – Opportunities for Local Communities*, UNWTO, Madrid, DOI: <https://doi.org/10.18111/9789284420261>.

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Acknowledgments

This report was written for the World Tourism Organization (UNWTO) by Professor Dr. Peter F. Keller under the supervision of Ms Esencan Terzibasoglu and Mr Sascha Stange (former UNWTO Destination Management and Quality Programme). Since 1998, Prof. Keller has been a scientific expert of UNWTO's World Congresses on Snow and Mountain Tourism hosted by the Principality of Andorra and one of its initiators in his former capacity as the Head of Tourism at Switzerland's Federal Administration and Director of the Tourism Institute of the University of Lausanne.

Dr. Luigi Gaido, Technical Director of the World Congresses on Snow and Mountain Tourism, provided support in the elaboration of the cases. The learning cases included in the present publication have all been presented at UNWTO's World Congresses on Snow and Mountain Tourism, organized on a bi-annual basis in cooperation with the Government of the Principality of Andorra since 1998, and at the First Euro-Asian Ski Resort Conference of UNWTO, which took place in Almaty, Kazakhstan in October 2013.

Foreword

In many mountain destinations, the tourism sector drives the socioeconomic growth and development of local communities. Yet mountain areas often face difficult challenges to their development, including harsh climate conditions, vulnerability to natural disasters, and problems of remoteness and accessibility. These challenges may hinder economic activities, infrastructure development and industrial production in mountain regions. In this context tourism – a labour-intensive sector with multiple links across the economic value chain – represents an opportunity to uplift local communities and stimulate growth in mountain destinations.

Recognizing the potential of mountain tourism for developing the sector, UNWTO has been organizing the World Congress on Snow and Mountain Tourism in cooperation with the Principality of Andorra every two years since 1998. This event is an important platform for tourism stakeholders in the public and private sector to discuss the most relevant issues facing mountain tourism at the global level. With a significant number of mountain destinations emerging around the world, UNWTO has also launched the Euro-Asian Ski Resorts Conference to bring together new and traditional ski destinations to exchange knowledge.

This publication presents a summary of the information generated at UNWTO's mountain tourism events, including a systematic definition of mountain tourism. In addition, it gives an overview of the development of mountain tourism in different parts of the world over time, and the recent structural changes affecting this segment as a result of new market patterns. I trust that this publication will be an invaluable tool to help us better understand mountain tourism and advance its effect in promoting social, economic and environmentally sustainable development in destinations across the world. I take this opportunity to thank all those that have contributed over the years to UNWTO events advancing mountain tourism, whose contribution is reflected in this publication.

Zurab Pololikashvili
*Secretary-General,
World Tourism Organization (UNWTO)*

Executive summary

The interdependence of the mountain ecosystem and tourism development

Mountains in the Alpine or sub-Alpine zones have long been attractive tourism destinations, thanks to their unique ecosystems that fundamentally provide the resources for tourism development. Factors that include climate, topography, scenery and the seasonal cycle all determine the facilities and activities of mountain tourism, reflecting the strong interdependency between the mountain ecosystem and the mountain tourism system. Tourism development must therefore go hand in hand with protecting and preserving these resources to ensure tourism's long-term growth and viability. Investments in tourism-related facilities can valorize these resources in terms of creating employment and income to the local residents of mountain regions.

However, not all mountain areas are considered worth visiting by potential visitors. Only those which offer a sufficient number of attractions motivate potential visitors to come and spend money in a destination. Such attractions are mostly a combination of natural and man-made attractions, such as peaks with outstanding panoramas or skiing areas with diversified slopes, both easily accessed by cable cars. The willingness of visitors to pay for these attractions determines the potential and hierarchy among mountain destinations. The more outstanding and numerous the attractions, the more companies settle around the destination, providing them opportunities to profit from increasing returns and agglomerative impacts.

Mountain tourism structures are the result of a long specialization process

New destinations are generally discovered by an elite group of visitors who want to explore and see new things. It therefore comes as no surprise that philosophers, poets and painters were among those who discovered the mountains as a destination about 200 years ago. As an example, Jean-Jacques Rousseau saw in the idyllic mountain landscapes of his homeland a kind of paradise lost, a place that recaptures the authenticity of nature. His ideas, propagated and enhanced mainly by British poets and painters, were influential in motivating the first run of young people among the upper classes to the Alps.

Pioneering entrepreneurs in turn provided the facilities and services for the best possible mountain experiences, including British-style palace hotels, cogwheel railways and funiculars that eased access to mountain destinations. Since guests often stayed for months, these entrepreneurs increasingly offered them a great variety of outdoor leisure sports activities. They proved to be independent innovators who trusted in their own expertise and took risks in investing their own money without the help of the state.

The “Belle Epoque” of mountain tourism came to a halt during the 20th century’s two world wars and the Great Depression, which saw the disappearance of the wealthy leisure class. Consequently, mountain tourism fell into a deep structural crisis that lasted well into the 1950s. However, the advent of paid vacation time and individual motorization led to an unexpected renaissance of Alpine tourism in the 1960s, which brought with it a series of innovations in the field of mountain leisure sports and accommodation. Downhill skiing became the key to a lucrative winter season, albeit often at the expense of the summer season. Skiing became an industrialized system with greater lift capacities. With an ever-growing variety of groomed slopes, which could even be artificially covered with snow, Alpine mountain ski resorts soon became the benchmark for worldwide mountain tourism development and was imitated all over the world.

The long process of mountain tourism specialization was driven by favorable framework conditions. The early industrialization of the countries surrounding the Alps allowed developers to invest in mountain tourism facilities for the visitors coming from the wealthiest countries of the time. The increasing wealth of the population stimulated a culture of mountain leisure sports activities such as mountaineering, hiking or skiing, all of which became very popular in these countries as the trademarks of a sophisticated lifestyle.

The main assets of the mountain tourism market are its four seasons and its strong home market

Mountain tourism has the advantage of attracting visitors throughout the year. The contrast between its white winters and green summers is a source of endless fascination, while providing visitors from the flatlands the opportunity to escape from the winter fog and summer heat.

The ecosystem which provides the climate and the topography determines the strategic products of mountain tourism, including mountaineering, hiking and biking during the summer season and any number of gliding sports on snow. These products also reveal the fact that winter and summer visitors come from different market segments, with younger sportspersons in winter and older people and families in the summer representing the three main target groups.

Mountain tourism is essentially based on domestic and local source markets with an established mountaineering or skiing culture. It is not possible to develop lucrative mountain tourism without a strong domestic and local demand. The market entry of new mountain tourism countries therefore led more to an enlargement over an internationalization of the overall mountain tourism market. In fact, the degree of internationalization of mountain tourism is rather low. International demand is concentrated in the most attractive individual resorts.

Mountain tourism has reached maturity and changed from a mass to a multi-niche market in traditional mountain tourism countries

As previously mentioned, mountains were discovered as a tourism destination some 200 years ago, with mountain tourism subsequently going through periods of strong and weak growth and reaching its peak in the traditional mountain tourism countries from the 1960s to the 1980s. During this period, mountain tourism boomed in the developed countries situated near mountain ranges and became a mass tourism phenomenon, increasingly perceived as a must for family holidays in

the summer and winter. Skiing in particular became a leisure sports activity across the social class spectrum of these developed countries.

The ongoing globalization process has also contributed to a profound structural change in the world of tourism as mountain tourism lost its monopoly on winter holidays due to the increase of beach holidays in the Southern hemisphere as a result of cheaper air transport. The proliferation of affordable beach destinations and other forms of vacationing in the flatlands has led to fierce substitution competition, leaving out mountain holidays as a preferred choice. Similarly, the number of skiers has shrunk due not only to the spiralling costs of the sport, but also to the fact that skiing skills are no longer being transferred from generation to generation in societies that have become increasingly multicultural. In short, mountain tourism is no longer a form of mass tourism, but rather represents a form of multi-niche tourism.

The development on the demand side has led to fundamental changes of the supply structures within mountain tourism. Service providers have increased the comfort, quality, and convenience of mountain tourism facilities, offering potential visitors new mountain sports facilities in the winter and summer. Realizing the growing trend of shorter visitor stays, they are also adapting to the dramatic increase in interest in warmer mountain summers, motivated by the pursuit of a healthy lifestyle through various sporting activities. On the other hand, many visitors from emerging economies are discovering magnificent mountaintop views.

Reinvent mountain destinations by positioning and repositioning, branding and the strategic use of Information and Communication Technologies (ICT)

For a long time following the last mountain tourism boom in the 1960s and 1970s, no targeted marketing efforts were needed to attract visitors to mountain destinations. In short, mountains were fashionable. It was a must for the populations of the regions around the major mountain ranges of developed countries to spend both their summer and winter holidays in the mountains. Back then, mountain tourism was a seller's market.

However, both the maturity, or perhaps even obsolescence of its products, and the proliferation of cheaper destinations all over the world have made mountain tourism in many countries a buyer's market. In such markets, promotional and marketing efforts have become all the more important. Mountain tourism needed to be reinvented. New strategies include the repositioning of the competitive advantages of mountain tourism as a whole and of its individual destinations. As an example, potential visitors must be told that mountain tourism is no longer a mass market with many similar products in all mountain countries, but that it has in fact developed into a multi-niche form of tourism offering both traditionally attractive and innovative new products.

Mountain tourism destinations tend to offer similar products, as such, they should strive to differentiate their product offerings in order to achieve a stronger position in competitive markets. In fact, many mountain resorts are currently looking to both specialize and diversify their range of products, having understood that only through dynamic repositioning based on durable competitive advantages that lead to brand building in the mindset of potential visitors. These processes can be substantially enhanced by ICT, with multimedia websites allowing potential visitors to get a visual impression of a given mountain destination and to plan and book their stay

while enabling the given service providers to track visitors before, during and after their stay to better understand their preferences and travel behaviour.

The key success factors for building and operating mountain resorts are well known

Mountain resorts are specialized tourism systems which provide two different strategic products for different market segments during the summer and the winter season. In the summer, mountain resorts are a playground for outdoor sports such as hiking or biking, whereas downhill skiing dominates during the winter. Nowadays, there are three different types of mountain resorts on the market. The traditional mountain destinations which offer multi-optional products to individual guests started in the main as summer resorts, later adding winter activities if the topography allowed.

The mono-functional ski resort was strategically launched by the French government. It was built for the booming skier demand of the 1970s with the objective of avoiding the typical weaknesses and disadvantages of traditional mountain resorts. Ironically, these resorts were often located at relatively low elevations and hence could not provide ideal conditions for skiing, nor were they able to benefit from offering summer activities due to their focus on winter sports.

In the meantime, hybrid ski resorts for four seasons that combined elements of traditional and functional resorts were built. Developers integrated functional complexes into existing resorts by offering standardized activities for the winter and summer, such as skiing or golfing. The prerequisites and rules for successful mountain resort development are well known. Preconditions and basic requirements include an abundance of snowfall and a wide selection of different slopes for all skill levels of skiers, as well as an attractive design of the resort and the preservation of the natural and cultural landscapes surrounding it.

Tourism is often the only way to create wealth in mountain territories, yet its sustainability depends on the preservation of its environmental resources

There are limited possibilities of creating wealth in mountain economies. Besides certain forms of agriculture and animal husbandry, tourism is the only other territory-bound activity which can provide economic growth. Nevertheless its sustainability depends on keeping the fragile mountain environment and landscapes intact.

From a global perspective, mountain tourism is not a major contributor to environmental pollution and degradation. In fact, it suffers more from waste and pollution than it contributes to it. Global warming has enhanced summer climates in mountain regions, adding to the appeal of summer tourism in the mountains. Yet global warming also has a detrimental effect on the lucrative skiing industry, owing to its impact on winter temperature levels in some areas. While the tourism sector cannot solve the global environmental crisis, it must be aware of its specific responsibility in terms of preventing local ecological damage and the destruction of unspoilt landscapes which can be caused by tourism growth.

Mountain tourism must therefore work on increasing the energy efficiency of resorts during the winter season. On the other hand, the potential negative impact of tourism development on

mountain landscapes in terms of visual pollution must be addressed on a case by case basis by tourism developers in order to strike an aesthetic balance between tourism structures and the natural environment.

Public administrations play a crucial role in stimulating mountain tourism growth since independent entrepreneurship and local initiative have become scarce in poor mountain regions

Historically, independent entrepreneurs have regarded mountain areas of industrialized countries as a profitable venue for investment, developing touristic attractions with suitable resources in remote and economically less developed regions. However, the maturation of mountain tourism brought with it a decline in the involvement of independent entrepreneurs and innovators. Similarly, there has been a decline in local initiatives for developing these areas.

Against this backdrop, the involvement of the public sector is crucial for maintaining social and economic life in remote and less developed regions as well as in formulating a strategy to prevent the exodus of the population. Such state involvement depends largely on the level of development of the country where a given mountain area is situated. In these terms, only countries in the process of industrialization have been able to develop their mountain resources since there was a significant market to justify that development, i.e., their populations had sufficient personal funds for the pursuit of mountain-bound leisure activities and holidays. In addition to local populations, the influx of foreign visitors increased due to the mostly local developers investing in the most attractive sites of mountain areas. It is therefore not surprising that the market-driven development model has prevailed and contributed to stimulating significant growth of employment and income. Conversely, the community-based development models, most of which were supported by the state, failed to achieve the same level of success, and hence, offered niche activities in the end.

It is important to understand the decisive role that local, regional or state administrations should play when it comes to developing mountain tourism. If keeping mountain areas viable is indeed an objective of governments, they should support the development of destinations that are both attractive and suitable for mountain tourism. The prerequisite is that there are investors willing to cooperate with the representatives of the local population in order to assure sustainable development based on the fact that generative growth initially creates positive externalities or impacts for the local population. That shows in more employment and income, whereas rampant growth is likely to create negative externalities in the form of land being laid waste or traffic problems encroaching on a region's quality of life. It is therefore important that municipalities, regions and states put forward framework conditions that take into account the carrying capacities of given areas in order to relativize and optimize the impacts of growth.

Chapter 1

The characteristics of mountain tourism

Mountain tourism is an important type of tourism, particularly for developed countries. Not all mountain regions are appropriate for tourism development, however. Only mountains with subalpine and alpine zones are considered appropriate tourist destinations. The type of tourism activities available are determined by a region's ecosystem and geographical characteristics.

1.1 Perceptions of mountain tourism

Mountain tourism is primarily a leisure tourism activity found in developed countries, where it is often one of the most important forms of leisure tourism. But despite its importance, there is no internationally recognized definition of mountain tourism or norms for collecting comparable data. Even countries in which mountain tourism plays an important role in the national economy cannot provide accurate statistics on the national level.

Governments looking to decide on mountain tourism development strategies and find solutions to some of its potential adverse impacts must first come to grips with the sector's socioeconomic features. That includes developing an understanding of the motives and objectives of the sector's different stakeholders, such as investors, operators, providers, and consumers.

While mountain tourism shares many features with other types of tourism, it also enjoys benefits and faces challenges unique among the tourism industry. The importance of geography, climate, and topology are perhaps the most obvious. While many countries and regions boast of impressive mountain ranges, not all of these are necessarily ideal locations for tourism destinations. Specifically, most tourists interested in mountain destinations are looking specifically for locales with alpine or sub-alpine climates.

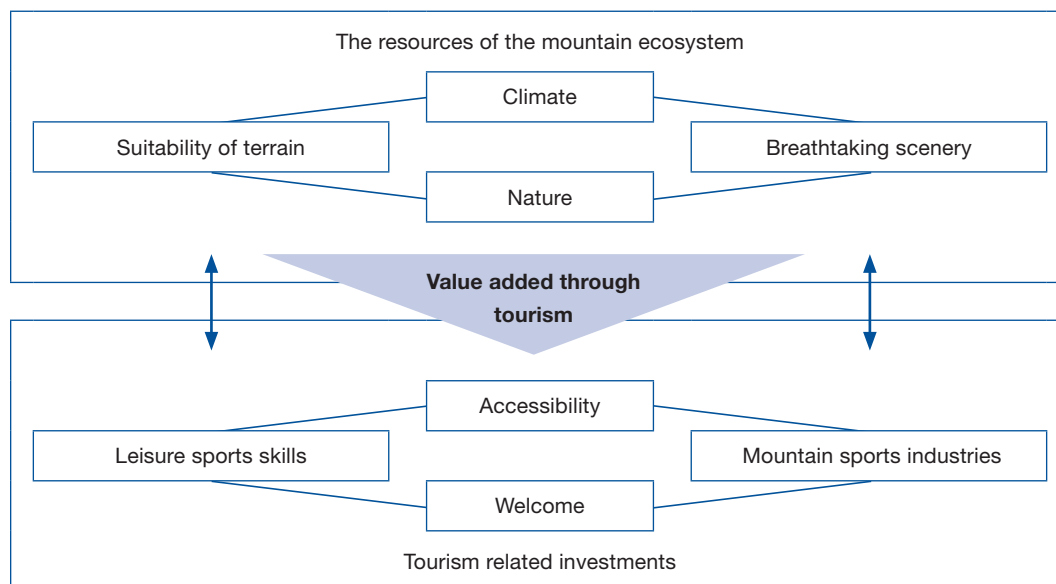
Topology is also a major characteristic of mountain tourism. Many of the first mountain resorts were originally located at relatively low altitudes with sub-alpine climates. But as access to higher elevations has become easier, locations at higher altitudes have increasingly been developed for mountain tourism. Altitude has even become a competitive asset, with some mountain resorts, particularly in France, using altitude figures as part of their marketing, such as "Courchevel 2000".

1.2 Links between mountain ecosystems and tourism

Mountain destinations are heavily affected by their ecosystems. Any changes in climate can have a profound effect on tourism demand. A lack of snow, for example, might require significant investment to fix. Scenery and landscape are some of the features of mountain tourism that most attract visitors, making topography a major factor of consideration when developing and maintaining destinations.

Making these features accessible to tourists requires significant investments in infrastructure, facilities, and services. Demand for mountain destinations must also be fostered on a local level.

Figure 1.1 **Economic exploitation of mountain resources through tourism**



Source: Keller (1998), *A General Study of Snow Tourism and Winter Sports, Basic Report*.

1.3 Mountain tourism's potential

Developing mountain resources for tourism requires both careful planning and a willingness to adapt to market demands. It is also important to understand the different ways in which mountain resources can be valued. From a conservationist standpoint, all natural and cultural mountain resources may have intrinsic intangible value beyond their economic potential. Conservationists may want to preserve all such resources, and resist efforts to develop them for economic purposes.

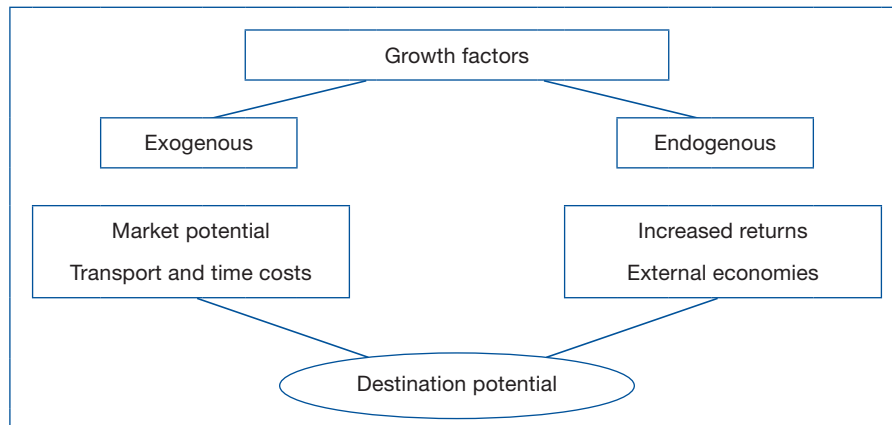
For the tourism industry, however, not all mountain resources are created equal. Only those for which there is sufficient consumer demand may be appropriate for development. As a result, while an entire mountain range may have intrinsic public value from a conservationist standpoint, only a small part may be appropriate for economic exploitation.

At the same time, many mountain resources that may not be considered intrinsically valuable from a conservationist standpoint may have commercial economic value. Restaurants, hotels, spas, and ski facilities are all man-made resources that may have little to no conservationist value but contribute significantly to a location's value as a tourist destination.

Since consumer demand can fluctuate or evolve over time, tourism development plans must be flexible enough to change as well. Since market demand drives the economic potential of tourist destinations, development planning must be able to adapt to such changes if mountain tourism resources are to be exploited efficiently.

The appeal of a resort also depends on the quantity and quality of its attractions. This can lead to a virtuous circle in which increased tourism can provide operators and investors the financial capital to expand and improve their facilities, leading to still more demand. These market processes can generate increased returns for companies that reinvest in their facilities. They also contribute to external economies for these companies through agglomeration advantages.

Figure 1.2 **Growth potential of mountain resorts**



Source: Keller (2009), *Destination marketing*.

The significance and the quantity of the attractions determine, together with the existence of strong source markets nearby, the size of a given mountain destination. The proximity avoids elevated transport and time costs for potential visitors. This is also the reason why a hierarchy between mountain destinations has been pronounced. Bigger places throw a shadow on their hinterland and limit the possibilities of growth for the resorts and companies operating there. The hierarchy among the destinations have led in the mature mountain tourism market to a concentration of visitor flows on the most attractive places. Worldwide, there are about 2,000 ski resorts, but only 48 of these resorts attract more than one million skiers per day.

Chapter 2

The long specialization process of mountain tourism

Mountains became a destination for the European elite in the 18th century. Innovative entrepreneurs built palace hotels, mountain railways, and developed specific mountain leisure activities for the mostly young visitors in the idyllic and majestic landscapes of the Alps. The leisure class, comprised mostly of aristocrats, contributed to the first Alpine tourism boom in the second half of the 19th century. After a period of decline due to the two World Wars and the Great Depression, Alpine tourism experienced a second boom thanks to the increasing wealth of the populations of the surrounding countries and social and technological changes such as paid vacation and availability of private transport. The current shaping of mountain tourism on a worldwide level is largely a reflection of the long specialization process in the Alps.

2.1 The discovery of mountains as a destination

For a long time, mountains were regarded as fascinating, but also dangerous and unpredictable areas that elicited fear and awe. They represented major obstacles to land communication and were crossed by soldiers, pilgrims, or travelling salesmen only when necessary. The famous Italian scholar and poet Petrarch claimed to be the first person since ancient times to have climbed a mountain for the view. He praised the unique nature of mountains after his ascent of Mount Ventoux, situated in the region of French Provence at 1,912 m above sea level in 1336.¹

The ominous image of mountains changed only when poets, painters and philosophers started to see mountains as a land of unspoilt nature or even paradise on earth. Jean-Jacques Rousseau, the social philosopher from Geneva, created the Alpine dream with his bestseller *Julie, ou la Nouvelle Héloïse* the Alpine dream and contributed to launching a run on the Alps in the 18th and 19th centuries.² It was fashionable for young men from the upper class, especially from Britain, to discover Europe as a way of completing their education, and the Alps were part of their itinerary. The first guesthouses to accommodate these visitors began to appear in the higher mountains.

Young travellers were later followed by aristocrats and early capitalists whom the famous economist Thorstein Veblen called the “leisure class”³ and for whom palace hotels and cogwheel railways amidst the idyllic Alpine landscapes. For the European elite, the Alps became more than a dream destination – Alpine holidays came to represent an obligatory activity for the rich and famous.

1 Petrarch (1336).

2 Trousson (2003).

3 Veblen (1899).

Pioneering entrepreneurs and innovators initiated the first mountain tourism boom in history. They innovated in all relevant fields of mountain tourism. The pioneers developed the most attractive places and created the still existing modern tourism infrastructures with intuition, personal experience and implicit local knowledge. They couldn't rely on mountain-specific education and vocational training nor on sophisticated planning methods. They improved the accessibility of mountain resorts and peaks with mountain railways such as the cogwheel railways and funicular railways.

In 1871, the first cogwheel railway climbed up a steep mountain in Switzerland. In 1912, the highest train station in Europe, the Jungfrau Joch (altitude 3,454 m) was opened and is still operating today, serving about one million visitors annually, mainly from Asia. In the last quarter of the 19th century, palace hotels were built with state-of-the-art technical equipment of the time, providing guests with indoor and outdoor electric illumination, hydraulic elevators and water closets.⁴

Initially, mountain tourism was limited to the summer months until 1864, when an innovative hotel entrepreneur in St. Moritz (1,800 m above sea level) invited some regular summer guests for a winter stay. He promised them that if they didn't feel comfortable sitting on his terrace in their shirt sleeves, he would refund them their travel expenses. As the historical record goes, his guests returned home in the spring parading their most glamorous of tans and told their friends and the wider public about their marvelous winter holidays in the Swiss mountains. Thus, mountain tourism in the winter was born, with subsequent guests being offered winter leisure sports activities such as bobsledding and skeleton sledding and even polo on ice.⁵

The first mountain tourism boom took place during the Belle Époque, lasting thirty years and was characterized by great advances in science and the arts, which also boosted mountain tourism development. This first rush to the mountains came to an abrupt end at the onset of the First World War. The boom period when guests stayed for months in the hotels of the Alps or in the French or Italian Riviera was over and a long-lasting structural crisis hit mountain tourism in major Alpine countries. In Switzerland, a market-oriented and liberal country, emergency measures were carried out such as a general building stop for the construction of new hotels during the First World War. Switzerland's National Tourism Office and the Swiss Hotel Credit Society were created in order to overcome the deep structural tourism crisis.

2.2 The popularization of mountain tourism

It was expected that the general decline of mountain tourism in the Alps would become even worse after the Second World War. On the contrary, the exponential growth of the world economy starting in the 1960s led to spectacular increases of household incomes in developed countries. The travel budgets of families in the nearby markets increased substantially compared to their incomes, paid vacation was introduced and expanded in some European countries, and thus, spending one's summer holidays in mountain regions became viewed as an essential in industrial societies.

4 Gaulis and Creux (1976).

5 Keller (1998).

Social tourism organizations supported by both the employers and the employees stimulated savings for holidays by offering subsidized and price-reduced travel checks to potential visitors.⁶ State-backed organizations and trade unions established travelling for everybody in planned economies. Families with children replaced the former rich leisure class. With the post-war advent of the concept of family holidays as an institution, mountain tourism evolved into a form of mass tourism.

The second mountain tourism boom was not only a socioeconomic phenomenon. It was essentially driven by technological innovations in the field of transport of the time. The popularization of individual motorization based on increased private car ownership not only changed not only the type of visitors coming to the mountains, but also profoundly influenced the supply structures of mountain tourism.

The car became the major means of transport in all the mountain countries. It was much faster and more convenient to travel by car to mountain destinations than by either horse-driven coaches or slow trains that used cogwheel gauges to handle steep ascents. In terms of comfort and practicality, the automobile also proved to be the best solution to store luggage.

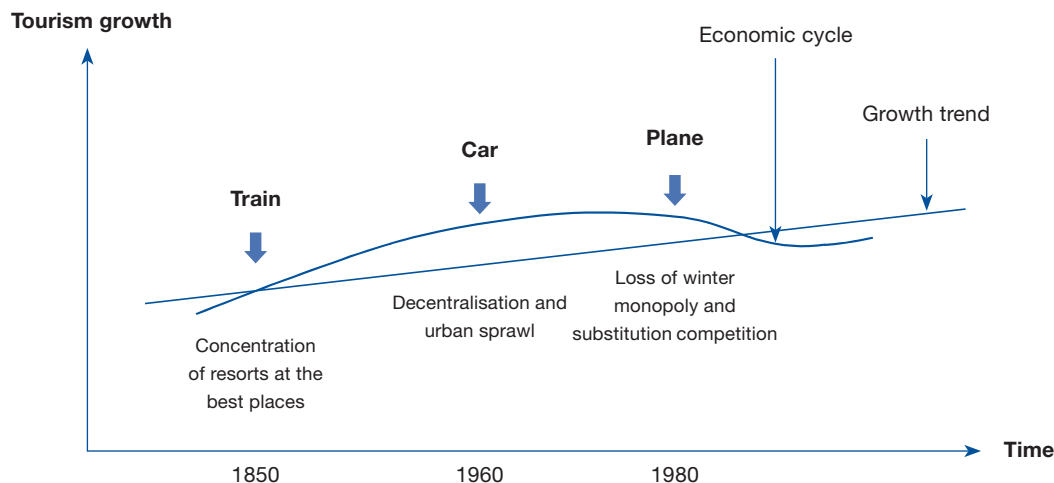
During the first Alpine run, sophisticated horse-driven coach networks assured access to the new hotels built in the most attractive places, while it was to be trains and their costly infrastructure that brought tourists in great numbers to the Alps. The most important Swiss resorts were, and in fact still are accessible by rail, with the Swiss Travel System⁷ and its panorama trains continuing to represent a unique attraction and a successful mountain tourism product. Privately owned transport, however, led to a decentralization of mountain tourism and to the development of second-tier resorts. The proliferation of roads to almost every destination imaginable resulted in a highly inefficient urban sprawl and, at the very least, the visual pollution of the natural environment.

The first jetliner “Comet”, produced by de Havilland and operated by the British Overseas Airways Corporation (BOAC), entered service in 1952 for the London – Johannesburg route and became both the beginning of global tourism and the end of the winter monopoly of the Alpine tourism countries. Since the 1980s, cheap long-distance flights to the Southern hemisphere created the concept of winter holidays at tropical beaches which began to replace winter skiing holidays.

6 Bernet and Keller (2010).

7 Swiss Travel System: a special service to enjoy stress-free travel by road, rail and waterway throughout Switzerland, founded by Swiss Federal Railways (SBB), Switzerland Tourism and public transport providers throughout the country.

Figure 2.1 Influence of innovation in transport on mountain tourism growth



Source: Keller, P. (2007), 'Toward an innovation oriented tourism policy', in: OECD, *Innovation and Tourism*, Paris, pp. 17–40.

The popularization of mountain tourism led to a multi-dimensional diversification of the accommodation services of mountain tourism destinations. The lodging preferences and needs of guests changed, and have in fact continued to do so. High-end visitors from the former “leisure class” couldn’t be replaced entirely in Alpine territories. Some of the rich people did not want to lodge any longer in British-style palace hotels, but rather preferred to have their own villas or luxury apartments with personalized services. As for families, most simply could not afford to live in expensive hotels which in the end couldn’t cater to their particular needs.

Guest houses, privately owned holiday apartments, camping grounds, holiday villages and other forms of accommodation appeared. These facilities created a new, second accommodation market for people who could not afford to lodge in full-service hotels and were willing to do the daily housework during their holidays themselves in order to reduce expenses.

The different mountain countries handled the problem of rejuvenating and adapting their accommodation infrastructure in various ways. Austria, which benefited for decades from the strongly growing German market, built full-board 3-star guesthouses in the local architectural style and offered stays in private rooms. French real estate companies built urban-like apartment complexes in new mountain resorts which were sold or rented to customers. The country was also famous for its group accommodations, particularly its *colonies de vacances*. Switzerland, the cradle of modern mountain tourism, tripled its existing accommodation capacities by private and commercially rented apartments.

The increasing wealth in Western Europe led to a proliferation of secondary homes in the Alps, most of which were exclusively used by their private owners. The number of this kind of holiday apartment was often as high as all the other forms of commercialized accommodation combined. Secondary homes could have been considered part of the so-called “shadow economy” since it was mostly unknown to which extent they were being rented out informally.

2.3 The industrialization of mountain tourism

During the first wave of mountain tourism and the discovery of the winter season in the second half of the 19th century, leisure winter sports were added to cater to the needs of the rich clientele. Since these guests often stayed for the whole season in the resort hotels, many exclusive winter sports facilities such as polo on frozen mountain lakes or bobsledding on natural ice runs were offered in places such as St. Moritz. Winter sports were considered at that time leisure activities for the elite.

Table 2.1 Major historical events and technological innovation allowing mass skiing

Year	Historical event/technological innovation
From 1864	Discovery of the winter season
From 1932	First ski lift in Davos
From 1960	Mechanically groomed ski slopes
From 1960	Built and prepared ski slopes
From 1980	High capacity cable cars and chair lifts
From 1985	Snow producing machines
From 1995	Computer based design and operating of transport facilities

Source: Keller, P. (1998), *A General Study of Snow Tourism and Winter Sports, Basic Report*.

The adaptation of Scandinavian cross-country skiing to mountain settings with steep slopes was the first step in introducing downhill skiing to the loyal clientele of the existing Alpine summer resorts. It was accompanied by a series of technological innovations which led to major changes in mountain areas. These innovations led to an industrialization of the traditional leisure sports activities in the Alps. Transport installations and slopes became the industrial zones of the resorts. High mountains became accessible for everybody without needing to expend great effort.

From an economic point of view, these developments were largely positive. For decades, skiing was one of the most lucrative forms of tourism. However, the development of skiing areas was expensive and the beginning of the ski boom resulted in badly built skiing facilities, often with negative commercial results. The industrialization of high mountain tourism also led to confrontations with conservationists and ecologists.

Funiculars, cogwheel railways and cable cars were built as means of transport for visitors wishing to enjoy the views from high elevations. The first cable car was the project of a Spanish inventor whose idea couldn't be realized in Switzerland for legal reasons. He was, however, able to build it in his hometown Santander in 1907. The first cable car in the Alps was built in Bozen, Southern Tyrol, Italy.

The first ski lift was developed in 1932 by Ernst Gustave Constam, an innovative engineer from Zurich, and was installed at the Bolgen hill in Davos. Within a period of five years, fifteen lifts were installed in Switzerland, six in France and two in Italy, Austria and Norway. Constam emigrated to the United States of America in 1940, and sold forty more lifts. He transformed the initial J-shaped

ski strap for single use into a “he-and-she-stick” which transformed the use of ski lifts into a type of social event.

These details from the pioneering times of mechanized skiing give an insight into how skiing innovations came about gradually, making skiing increasingly more attractive. The success of the ski lifts led to another innovation, the constructed and mechanically groomed ski slope which became state-of-the-art during the Olympic Winter Games of 1964 in Innsbruck, Austria. The idea of groomed and well-defined slopes was taken over from the downhill ski races of the International Ski Federation (FIS). Homogenous and broad ski slopes without bumps and bottlenecks could absorb more skiers. Later on, as a response to the increasing temperatures in the Alps, slopes were at first partially and then fully equipped with snowmaking installations so that a high quantity as well as quality of snow could be guaranteed for a whole season.



Queuing in the 1960s at the departure station of the Parsenn skiing area, Davos.

Source: Dokumentationsbibliothek Davos.

The strong competition between the 660 Alpine ski resorts forced cable car companies that ran skiing areas to invest more in the comfort, convenience and efficiency of the services they provided. The quality of the slopes was continually improved and the catering facilities and restaurants in the skiing area were diversified. High capacity cable cars and chairlifts were built to prevent massive queuing at the valley stations and new connections linked different skiing areas. Access to ski resorts by road or public transport was improved. Nowadays, skiing areas are harmonized industrial systems that allow visitors to enjoy a sophisticated skiing experience for all categories of skiers in the unique white winter atmosphere of the Alps.

2.4 The need for favourable framework conditions

The term “Alpine” has become a synonym for mountains worldwide. There are many mountain ranges which include the term “Alps” in their names, whether it is the Australian Alps, the New Zealand Alps or the Japanese Alps. The name “Switzerland”, as the cradle of modern mountain tourism, is used worldwide for naming and branding mountain regions or landscapes. It therefore comes as no surprise that the Alpine mountain tourism models serve as a reference and blueprint worldwide. It is worth examining why the Alps have proven to be so iconic in terms of the development of mountain tourism.

Successful tourism development inevitably depends on promotion. As tourism is a demand-driven phenomenon, attractive destinations and high quality products must be offered to potential visitors. However, these basic market conditions are not sufficient. Favourable framework conditions in

mountain countries also play an essential role. These conditions are exogenous factors which cannot be influenced by the tourism promoters.

The Alps, although not the largest of mountain ranges, are nonetheless the world's leading mountain destination due to their ideal geographic situation in Western Europe, in the midst of developed countries with a long mountain tourism tradition. They are situated in the heart of Western Europe.

Figure 2.2 **The geographic situation of the Alps as the cradle of modern mountain tourism**



Source: Based on SRTM Data; Perconte.

The countries situated around the Alps went through a fast stage of industrialization with increasing prosperity and an increasing number of affluent people during the first mountain tourism boom. There were enough entrepreneurial and capital resources for sparking innovations that made Alpine tourism a successful business model. The improvements in accessibility encouraged people from nearby markets to visit the Alps and to practice mountaineering, hiking, skiing and various other mountain leisure sports.

The Alpine mountain resorts developed over a long period of time in different stages and faced multiple challenges. They are the result of a long process of specialization which lasted almost 200 years. The process took place in a competitive environment which led to innovation and cooperation. There were enough entrepreneurs who took the risk and invested their own capital to introduce new mountain tourism facilities and procedures by trial and error. The companies operating in mountain destinations became aware that cooperation was key to success for gaining market power.

Situated in the middle of the economically most advanced countries in Europe, they could also benefit from sophisticated providers of goods and services such as specialized mountain railways, funiculars and the cable car industry. Finally, since the first run to the Alps, the providers of mountain tourism services have had to deal with demanding and experienced visitors who in effect forced them to permanently improve their products and services.

2.5 Introduction to the cases

The leading mountain resorts of the world were not built in a short period of time. Their strong market position is the result of a long process of specialization in the field of mountain tourism which lasted more than 100 years. This is the case of the high end mountain resort of Courchevel in the French Alps which was built *ex nihilo* in a poor mountain region following the vision and development concept of the French government known as “Plan Neige” and the mountain law. It is one of the ten most important ski resorts of the world, renowned for luxurious accommodations and convenient skiing area system. One of the remarkable characteristics of Courchevel is the composition of its Board. The resort is co-governed by the municipality and the private sector which jointly decide on its further development.

The second case aims to compare traditional ski resorts and recently developed ski areas by taking the benchmarking analysis elaborated by the International Ski Federation (FIS) as reference. The large Alpine mountain resorts are a sort of reference for all the resorts that are being built nowadays in emerging countries and countries in transition. Traditional Alpine ski resorts are in general more accessible. They offer larger skiing areas with higher differences in vertical drop and more slopes of all categories. These areas are situated in resorts which combine both the Alpine village atmosphere and an urban character. The new ski resorts offer in general less sophisticated slopes and lower vertical drops than the traditional ski resorts. These slopes are often overcrowded, but the price for daily ski passes are significantly cheaper and adapted to the needs of the growing local markets.

2.6 The case of Courchevel, Savoy, France⁸

Courchevel is one of the most prestigious winter sports resorts of the world. It was developed through the initiative of the French authorities *ex nihilo*, taking into consideration the latest planning principles available in order to guarantee the best possible ski experience. The resort offers its visitors almost all winter and summer sports activities. Its accommodation structure is diversified with serviced apartments, a hybrid lodging form. Courchevel is famous for its Alpine wellness offers that include high-end catering and upmarket shopping facilities. Strong public-private partnerships have increased the competitiveness of the resort, which remains as one of the leading mountain resorts of the world.

2.6.1 History of Courchevel's development

Courchevel was founded by a top down decision by the local authorities, following the indications of the French government's plans and development strategies. The financial risks were assumed by the municipality and not by individual entrepreneurs. The location of the buildings and facilities as well as the initial design and the name of the resort depended on the choices and intervention of the public planning authorities. Private investors were either not available or were not willing to take the initial risks of the development project.

8 Roux (2013).

First development steps, 1908–1945

As with other villages of the French Alps, the first hotel opened in 1908 in Saint Bon for the summer season only. Only later in 1925 did it open its doors for the winter season. Skiing started in the 1930s when several other hotels opened. In Christmas 1945, the first ski lift started its operations. The Tourism Board was founded at the same time.

Building the new ski resort, 1946–1959

The Regional Council of Savoy, a sub-territorial body of the Central state, decided in 1946 to boost the local economy by building a ski resort. Virgin territory was chosen to build 6,000 beds, one cable car, two ski lifts, three jumping hills and one golf course. The new resort was named “Courchevel” and in 1952 the newly built cable car was installed on the highest peak of the region. One year later, the first 4-star hotel started its activities. In 1954, Emile Allais, triple world ski champion, was appointed technical and sports director of Courchevel. He started to redesign the slopes and introduced ski patrollers. In 1959, he bought the first snow groomer to prepare the ski slopes.

From the 1960s to the 1990s

The resort became more and more fashionable and was frequented by celebrities. In 1971, the first “3 Vallées” ski pass was introduced, allowing guests to enjoy 250 km of linked ski slopes with one single pass. In 1979, Le Chabichou became the first Michelin-starred restaurant. In 1984, the biggest cable car installation of the world was opened. In 1992, Courchevel hosted the ski jump trials and Nordic combined competitions for the Winter Olympics in Albertville, France.

2.6.2 Geographic situation

Courchevel, one of the world’s most famous ski resorts, was built on the territory of Saint Bon – Tarantaise, on five different altitudes: Saint-Bon-Tarantaise (Courchevel 1,100 m), Le Praz (Courchevel 1,300 m), Courchevel Village (Courchevel 1,550 m), Moriond (Courchevel 1,650 m) and Courchevel 1,850 m, all connected by bus shuttles and lifts. The highest peak of the ski areas is at an altitude of 2,738 m.

Figure 2.3 **Five stages of Courchevel resort expansion from 1,100 to 1,850 m of altitude – villages connected by gondola lifts and free shuttles**



Source: Courchevel Tourism, David André.



Courchevel Airport – the highest airport with scheduled flights in Europe
Courchevel Airport – the highest airport with scheduled flights in Europe

Source: Courchevel Tourism, Patrice Mestari.

Courchevel can be reached by car from the nearby motorway. The resort can be reached in two hours by car from the international airports of Geneva and Lyon. It can also be reached from these airports by a 30-minute helicopter flight. The resort also has a high-altitude airport for scheduled flights which is unique in Europe.

2.6.3 The skiing area of the Three Valleys



Ski in – ski out: linking slopes with accommodations.
Source: Courchevel Tourism, David André.

of slopes cater for the large spectrum of skier needs, from the beginner to expert skier. 90% of the skiers can reach their accommodations by ski. The slopes are monitored by 320 guards, and they cover an area of 2,500 ha which is partly covered by 1,600 snowmaking machines.

There are more than 200 ski lifts with the transport capacity of 260,000 skiers per hour. They manage 1.24 million skiers per year of which 25% count for day pass holders and 75% with a multi-day pass. All slopes are directly linked with the accommodation facilities. Courchevel's skiing area is part of the Three Valleys ski area which offers 600 km of slopes, a capacity which is greater than the six biggest ski resorts in the United States of America combined. The different categories

2.6.4 The hospitality sector



Restaurant with mountain views.
Source: Courchevel Tourism, Patrice Mestari.

Courchevel counts 15,300 commercialized beds with 285,000 arrivals and 16,900 beds in secondary homes with 1.8 million overnights. Visitors from 44 different countries come to Courchevel with guests from the United Kingdom and the Russian Federation being the most important source markets. Two of the thirteen palace hotels of France are situated in Courchevel. In addition, there are sixteen 5-star, seven 4-star, fifteen 3-star, seven 2-star and one non-classified hotel in the resort. The apartments and chalets for rent offer both, self or full service packages.

Despite the positioning as a high-end resort, there are also more affordable accommodation alternatives for customers from the medium and lower purchasing strata, with a notable difference between high-end and average accommodation prices. Prices of hotel rooms range from EUR 75 to 38,000 per night. As for the apartments, the prices per week vary between EUR 500 for a standard apartment and EUR 450,000 for fully serviced apartments or villas, with ad. In the latter case, services such as butler, driver, cook, etc. are being provided.

Courchevel has 70 restaurants with the best of French cuisine. 12 of these restaurants are in the higher mountains and offer beautiful panoramas and a view on the Mont Blanc, the highest peak of the Alps. 30 bars and pubs make après-ski and nightlife interesting and guarantee a warm social atmosphere.

2.6.5 Alpine wellness, leisure sports, shopping and events

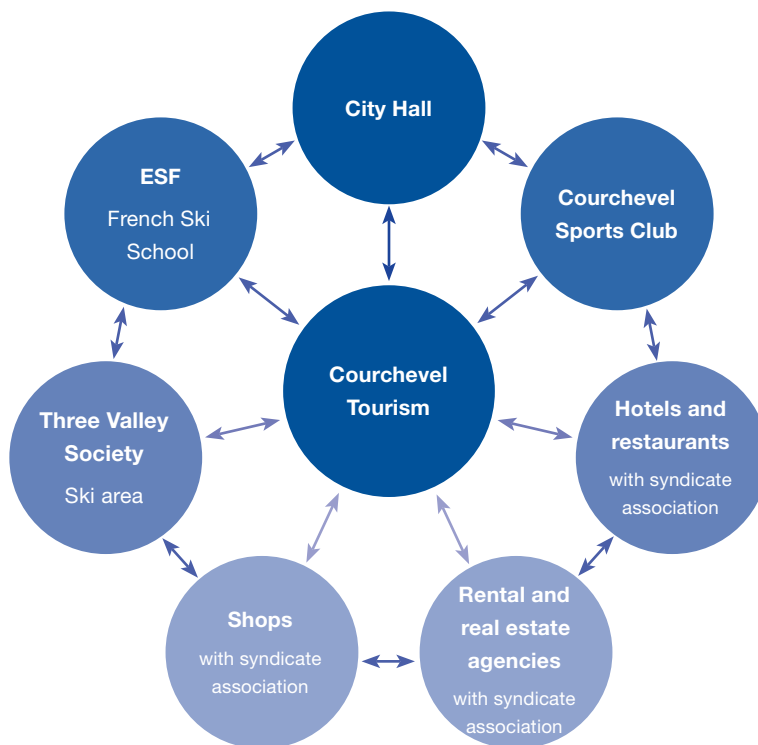
Courchevel offers 20 spas situated in hotels which also provide their services to external guests. They offer a lot of different state-of-the-art facilities and treatments such as ice and snow caves or “massages au chocolat”. Many winter and summer outdoor sports can be practiced in Courchevel, from snowmobiling in the winter to paragliding in the summer. The profile and the reputation of the resort is apparent in its boutiques and shopping arcades. There are 160 shops which offer visitors all kinds of high-quality luxury goods and sports articles. The event portfolio of the resort is fully booked and varied with about 220 events in the winter season alone.

2.6.6 Public-private partnership as success factor

Courchevel is an example of efficient public-private partnership (PPP). Authorities plan to invest EUR 140 million over the next seven years in tourism-related infrastructure. 70% of the investment will be directed to the modernization of the skiing area. A large water and sports park will be created. These public investments are being carried out under the leadership of the municipality, and will also induce important private investments in the hospitality sector and shopping industry.

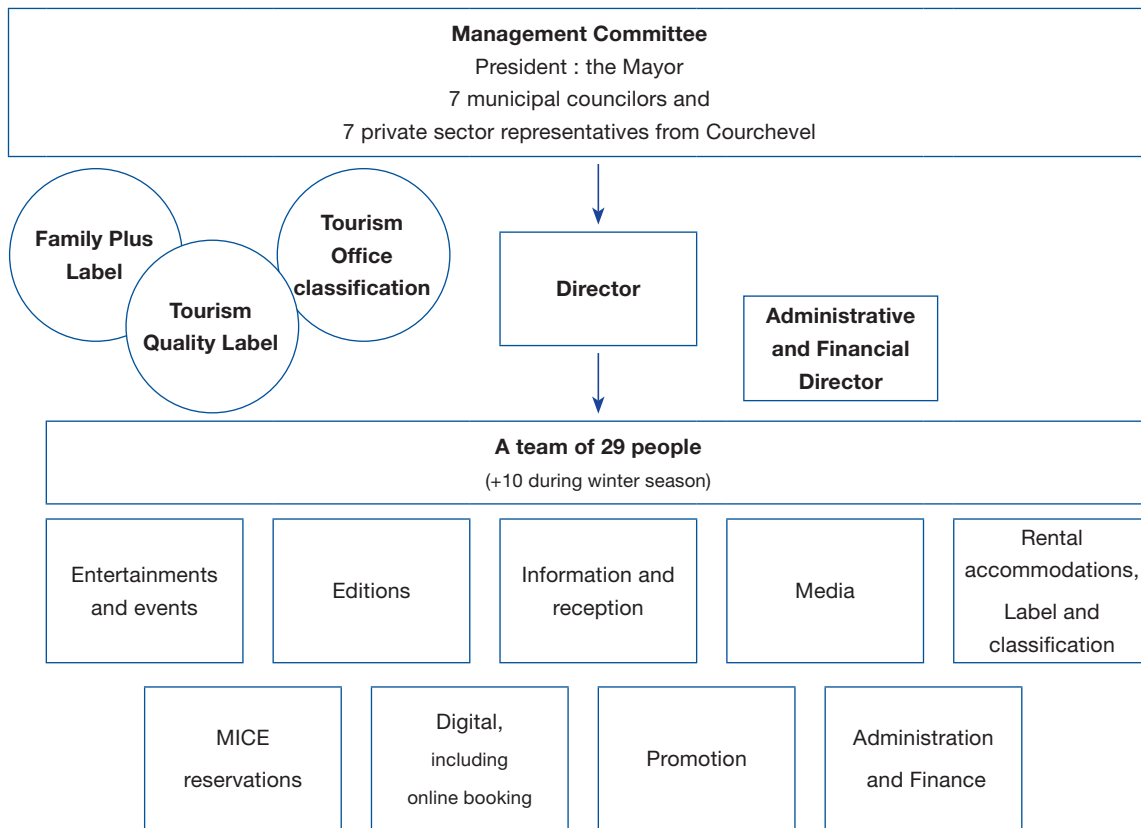
PPP guarantees the vertical cooperation of the stakeholders of the resort. The mayor chairs the Management Committee, which is composed of seven municipal councillors and seven representatives of the private sector. The composition formally gives the municipality the majority. The decisions of the Management Committee are implemented by Courchevel Tourism, the local tourism organization.

Figure 2.4 Functioning vertical cooperation as an asset



Source: Roux (2013), *Keys to success for a fragmented resort management, case of Courchevel, France*.

Figure 2.5 Top down approach for managing destination Courchevel



Source: Roux (2013), *Keys to success for a fragmented resort management, case of Courchevel, France*.

2.7 The potential of ski resorts in Europe and Asia: benchmarking new ski resorts against ski resorts in the Alps⁹

When it comes to studying the cases of successful and failed ski resort development, the major supply elements have to correspond to certain international and customer-related standards that can be measured by indicators. It is therefore important to compare the standards of new Eastern European and Asian ski resorts with those that are built and functioning in the Alps. Such supply side benchmarking is not feasible without a look at some source markets of skiers that are, in this case, the United Kingdom, Germany and Switzerland.

2.7.1 The basic success factors of ski resorts

It is crucial to rely on the benchmark of the main factors that determine successful ski resort development. These factors include accessibility, an abundance of snow, the size and the quality of the skiing area, the attractiveness of the resort, the shopping, gastronomy and après-ski facilities and price, but also some general factors such as an established skiing tradition, respect for the environment as well as each country's currency conversion rates and visa requirements.

9 Zenhäuser (2013).

There are many ski resorts in Central European countries which were successfully modernized during the transition from planned to market economy. New resorts were built in Eastern Europe, Turkey, and Central and East Asia. These resorts expand the world ski market. The question remains whether they are internationally competitive.

2.7.2 The international benchmark

Figure 2.6 Ski Arlberg, the interconnected skiing areas of St. Anton, Lech and Zürs in Tyrol



Source: Ski Arlberg, Arlberger Bergbahnen.

These days, leading ski resorts in the Alps offer attractive skiing areas with high vertical drops and a variety of slopes for all categories of skiers. The size of their skiing area is large and often linked to other skiing areas nearby. Most of the leading ski resorts can easily be reached by visitors from main source markets in three hours by air or less, not counting overseas flights, except those from overseas. By car, they are an hour's reach from the next airport.

This is not the case with many of the new resorts which, in some cases, are up to five to ten hours away from major Western European cities. Further transport from the airport to the often remote resorts can be two hours or more. The leading ski resorts offer diversified accommodation and restaurant facilities and exert a lot of effort on maintaining and conserving their traditional character and village charm. This is where new destinations often fail.

It is evident that new ski resorts cannot yet achieve the same performance as the traditional ski resorts of the Alps, which were developed over decades, if not centuries. It is therefore

recommended for new ski resorts to opt for a progressive development strategy to take advantage of their domestic and adjacent source markets and to focus on the international markets only to promote their unique selling propositions, such as good snow conditions or the presence of niche products such as helicopter skiing.

The benchmark of certain leading ski resorts of the Alps can be used to help bridge gaps in order to become internationally more competitive. The following comparison is mostly limited to the new Central and Eastern European skiing areas as well as Central and East Asian resorts and some leading ski resorts in the Alps (tables 2.2 – 2.4). For further reference, it also includes established ski resorts in Scandinavia, Western Europe and Japan. The indicators applied for comparing both types of resorts depend on the preferences of the international skiing clientele. Among these indicators, the lengths of the slopes, the degree of difficulty of the slopes measured by the number of black labelled slopes, and the price in EUR for a day pass are taken into account.

2.7.3 Central and Eastern European and Central Asian ski resorts

The ski resorts considered for benchmarking the quality of the slopes are divided into three geographical groups: the Central and Eastern European ski resorts, the Turkish and the Central and East Asian ski resorts as well as some leading ski resorts of the Alps.

Table 2.2 Parameters and ticket prices in European ski resorts

Country	Place	Slopes-km (slopes highest category)		Max. vertical drop (m)	Price per day (EUR) ^a
Bosnia and Herzegovina	Jahorina	25	(4)	616	20
Serbia	Kopaonik	55	(6)	961	20
	Stara Planina	13	(3)	700	13
The former Yugoslav Republic of Macedonia	Mavrovo	25	(5)	605	18
Montenegro	Kolašin	14	(3)	553	15
Slovakia	Jasna	45	(8)	1,061	38
Czech Republic	Spindleruv Mlyn	26	(2)	533	31
Romania	Poiana Brasov	20	(6)	780	31
	Sinaia	22	(7)	1,223	39 ^b
Ukraine	Bukovel	55	(5)	482	25
Poland	Zakopane	16	(7)	970	34 ^b
	Szczyrk	40	(2)	718	19
Bulgaria	Borovets	58	(5)	1,260	28
	Pamporovo	37	(5)	306	27
	Bansko	75	(3)	1,570	30
Georgia	Gudauri	60	(10)	1,307	12

Country	Place	Slopes-km (slopes highest category)		Max. vertical drop (m)	Price per day (EUR) ^a
Russian Federation	Gazprom Resort	15	(3)	851	28
	Gornaya Karusel	20	(1)	1,340	31
	Rosa Khutor	72	(21)	1,380	34
Andorra	Grandvalira	210	(33)	930	46
Spain	Baqueira Beret	146	(18)	1,039	49
	Sierra Nevada	105	(7)	1,182	46
Norway	Oppdal	56	(9)	715	42
Sweden	Åre	91	(8)	894	46
Finland	Levi	38	(3)	325	42

a) Prices as of season 2015/2016 and depending on exchange rate.

b) Price includes return ticket for obligatory ascent in cable car to access the ski slopes.

Table 2.3 Parameters and ticket prices of ski resorts in Turkey, Central and East Asia

Country	Place	Slopes-km (slopes highest category)		Max. vertical drop (m)	Price per day (EUR) ^a
Armenia	Tsakhkadzor	27	(16)	850	22
Azerbaijan	Shadag	7	(0)	370	14
Kazakhstan	Chimbulak	12	(4)	943	21
	Kokzhailau (project)	63		1,500	–
Kyrgyzstan	Karakol	20	(8)	740	16
Turkey	Bursa/Uludag	28	(3)	555	27
	Kayseri	40	(5)	870	14
	Palandöken	72	(15)	925	13
India	Gulmarg	30		1,330	26
Iran, Islamic Republic of	Dizin	18	(4)	976	28
China	Yabuli (High Mountain)	36	(12)	900	41
	Yabuli (Sun Mountain)	32	(6)	540	57
	Wanlong	20	(6)	510	96
	Changbaishan	40		438	89
Republic of Korea	Kangwonland	21	(10)	677	66
	Muju	24	(2)	814	66
	Yongpyong	29	(14)	738	55
Japan	Zao Onsen	50	(10)	881	41
	Niseko	55	(10)	900	60

a) Prices as of season 2015/2016 and depending on exchange rate.

Table 2.4 Parameters and ticket prices of ski resorts in the Alps

Country	Place	Slopes-km (slopes highest category)		Max. vertical drop (m)	Price per day (EUR) ^a
Austria	St.Anton	340	(55)	1,507	51
	Kitzbühel	170	(24)	1,200	51
Italy	Cortina	140	(19)	1,787	50
	Val Gardena	175	(18)	1,282	50
France	Val d'Isère/Tignes	300	(52)	1,906	54
	Courchevel/The Three Valleys	600	(72)	1,930	59
Switzerland	Arosa-Lenzerheide	225	(27)	1,636	65
	Flims Laax Falera	220	(46)	1,998	69
Germany	Garmisch	40	(10)	1,350	41
	Lenggries/Brauneck	34	(4)	1,012	35
Slovenia	Kranjska Gora	20	(2)	760	32
	Mariborsko Pohorje	42	(5)	1,002	31

a) Prices as of season 2015/2016 and depending on exchange rate.

2.7.4 Analysis of the tables

The length of slopes measured in km and the number of black or demanding slopes are especially important for international skiers who are in general highly skilled expert skiers and look for exciting ski experiences. Black slopes are also important for ski races since they are normally reserved for international competitions. These competitions count with international media coverage and are excellent tool to make mountain destinations and their ski resorts known beyond regional borders.

Nowadays, in the era of built and groomed slopes and high tech ski material, even average skiers are able to enjoy slopes with a high degree of difficulty. Many of the newer ski resorts cannot supply big skiing areas with an attractive variety of slopes for all categories of skiers. There is also a lack of notorious or legendary slopes whose denomination has been established for decades, if not centuries, that attract expert skiers from abroad (e.g., Lauberhorn, Hahnenkamm, Kandahar). Some resorts often offer only 20 to 60 km of slopes and not more. This number corresponds to smaller average ski resorts in the Alps and, in the case of Germany, Slovenia and Scandinavia, also refers to their main ski areas. They mostly cater to the local and regional demand. On the other hand the leading ski resorts in Andorra and Spain offer a decent network of ski slopes although situated in the Pyrenees or even further south in the Sierra Nevada in Spain.

The vertical drop (VD), measured in meters, which reflects the difference of altitude between the departure and the summit of the slopes reached by cable cars, is another criterion for benchmarking the attractiveness of skiing areas. It represents the maximum difference of altitude available for building slopes. The higher the VD and the better the morphology or variety of slopes, the longer the slopes are and the higher the number of skiing kilometres that can be supplied. All the leading resorts of the Alps taken into account for the benchmark, offer a VD of 1,200 m or more, except for two of the German and Slovenian skiing areas. This is not the case with most of the emerging

ski resorts whose slope lengths, not counting existing plans of expansion, are limited, and whose VD is not on the benchmark level. Again, the German and Slovenian ski resorts in the Alps and Scandinavian skiing areas show similar characteristics, clearly indicating their disadvantage with regards to the competitiveness of their skiing facilities. Ski resorts in the Iberian Peninsula offer similar conditions with regards to kilometres and to some extent, VD.

Another criterion for promoting international ski resorts is the variety of slopes combined with the performance of the skier. First, the sum of all the VD is calculated. An average skier therefore “consumes” about 3,000 m of VD per day. The number of days a skier can ski without repeating the same slope is then calculated by dividing the total number of VD of a given skiing area by 3,000.

This is an indicator of the quality of a given skiing area since the variety, length and difficulty of slopes is a strong selling point. If the total VD is 6,000 m, the average skier can ski during two days without repeating the same slopes. Following this approach, about 12,000 m of total VD are necessary for a ski holiday of six days in order to guarantee the highest quality to the skiing guests.

For a manager of a ski resort, the total VD is therefore an important factor for product development and for identifying the segment of potential visitors. If the VD and morphology of the skiing area allow building only blue level, or easy slopes, the potential visitors will be beginners or average skiers. International expert skiers would in this case go to other resorts. In fact, there are few ski resorts that offer only one category of slope. But thinking in terms of categories of potential skiers allows for better market segmentation.

The price for a one-day package is an important indicator for individual skiers and excursionists who do not use the services of tour operators. The figures in the tables show the lower prices of the new resorts compared to the leading ski resorts. However, if the size, variety, VD, and length of the slopes are taken into account, the prices of the top resorts in the Alps are relatively lower.

Indeed, if these differences in quality are taken into account, the average price for one kilometre of slope is lower in the leading resorts (EUR 0.20 – 0.30) than in the new resorts (EUR 0.50 – 0.80). This is also true for smaller ski resorts in the Alps which offer often very attractive prices in absolute terms, but their offer of kilometres of slope and vertical drop is often modest. However, these resorts do not operate in the international markets. The contrary is the case for the leading ski resorts. They target good skiers and offer them more for a relatively attractive price.

2.7.5 Conclusions

Worldwide, there are about 115 million skiers. Only 14% of them ski in countries other than their own. The degree of internationalization of the world ski market is therefore low. Only three countries – Austria, France and Switzerland – have more than 2 million international skiers.¹⁰ They benefit from strong nearby markets, particularly the German and British markets that are only two hours away from their ski resorts.

¹⁰ Vanat (2013).

The benchmark with leading Western European ski resorts shows that the potential international source markets for the new ski resorts are close to markets of countries with a similar level of development. The potential of these markets is great, but must be developed slowly and should be accompanied with the development of the total capacity of the buildings in the individual resorts. Attracting a notable number of foreign skiers, even from faraway source markets, is not impossible as the case of Australian skiers in Japanese ski resorts (see the case of Niseko in chapter 4).

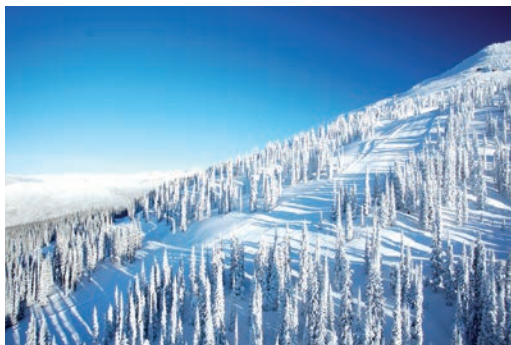
Chapter 3

The nature of the mountain tourism market

Unlike other forms of tourism, mountain tourism has two very distinct aspects in its winter and summer products. It is more dependent on local and domestic markets than other forms of tourism, with few markets drawing significant numbers of international visitors. New ski destinations in emerging economies are helping to expand international ski destinations. Mountain tourism stays and leisure activities are expensive due to high production costs. Climate and weather conditions are major structural risks.

3.1 The dual nature of mountain tourism

Mountain tourism is a leisure-oriented form of outdoor tourism. It both benefits and suffers from the opportunities and challenges presented by factors such as high altitude, climate, and weather. These factors significantly influence visitors' travel choices and determine which services providers can offer. Seasonal differences between summer and winter tourism represent both an attraction and a limiting factor for tourist activities.



The different colours of the mountain landscapes are a resource.
Revelstoke in Winter , British Columbia, Canada.
Source: Revelstoke Mountain Resort.



Indian Summer colours in Yukon Territory, Canada;
Source: Ralf Kayser.

Visitors choose Alpine destinations for climate resources such as snow in the winter and fresh air in the summer. They are fascinated by the change and rhythm of the seasons with their changing colours. In the winter, visitors come to escape the unpleasant weather that characterizes the flatlands of the surrounding area, while in the summer they come to avoid the heat of the cities. Poor quality or lack of snow in the winter and rain or cold weather in the summer, significantly reduce these destinations' appeal. As a result, the end of both the summer and winter seasons are in general not attractive for visitors.

During the summer, hiking, biking, and mountaineering are the most popular leisure sports, while skiing and snowboarding dominate the winter. Adventure sports, meanwhile, are popular in both seasons.

Market segmentation also follows seasonal patterns, with families with children and older visitors coming in the summer and younger singles and couples on ski vacations visiting in the winter. Female skiers tend to stop skiing around age 60, while men will continue to ski into retirement. Adventure sports enthusiasts represent a much smaller market, but can help diversify the clientele in both seasons.

Winter tourism is the more popular of the two. The exhilaration of gliding down the slopes in the white winter atmosphere remains a unique experience. It also gives skiers easy access high altitude locations they can't visit in the summer. Ski tourism is lucrative for companies that cater to skiers, since skiers depend on sophisticated, expensive services. While winter products represent a unique experience, summer tourism is somewhat weaker due to the possibility of substituting other, often cheaper summer destinations.

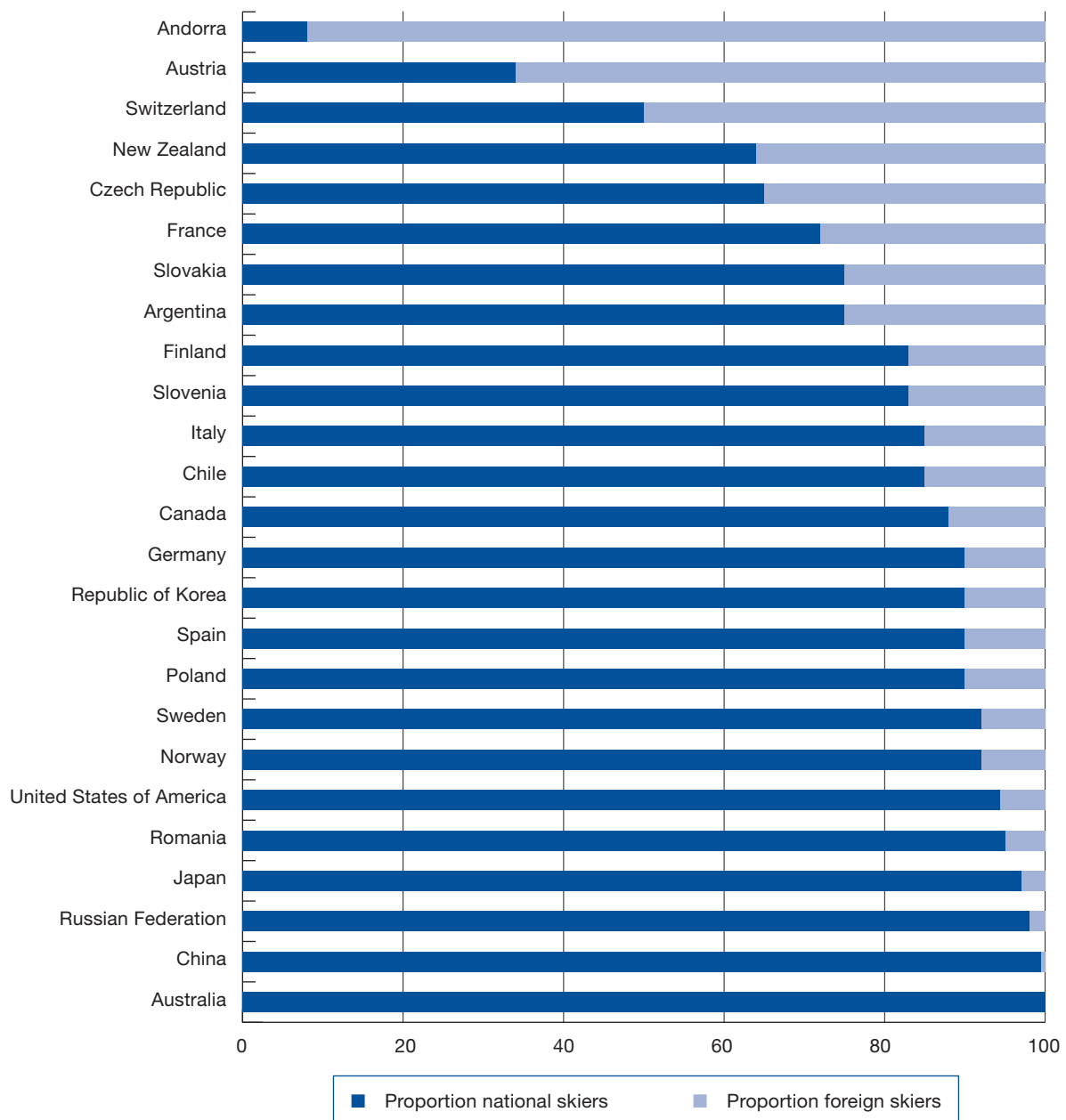
3.2 The local aspects of mountain tourism

Mountain tourism depends largely on visitors from nearby markets for two major reasons. First, most mountain tourism skills, such as skiing, but be learned at an early age. Those who do not learn to ski before the age of fourteen have more difficulty learning it later. Developing those skills at a young age, however, requires a supportive environment. This can include family members or institutions that promote mountain sports such as schools, clubs, or associations. By keeping the skiing tradition alive and passing skills from generation to generation, they help maintain the strong skiing communities that are essential for the future of the sport. The existence of such a culture is crucial to mountain tourism. The need for exercise encourages potential mountain sports practitioners to visit mountain regions frequently. Studies show that who live near mountains practice more mountain sports than those who live further away. The number of Germans practicing winter sports, for example, is much lower than the number of Swiss.¹

A glimpse at the figures shows that mountain tourism is not yet an international phenomenon.

1 Keller (1998).

Figure 3.1 The ski market: foreign vs. domestic, 2013 (%)



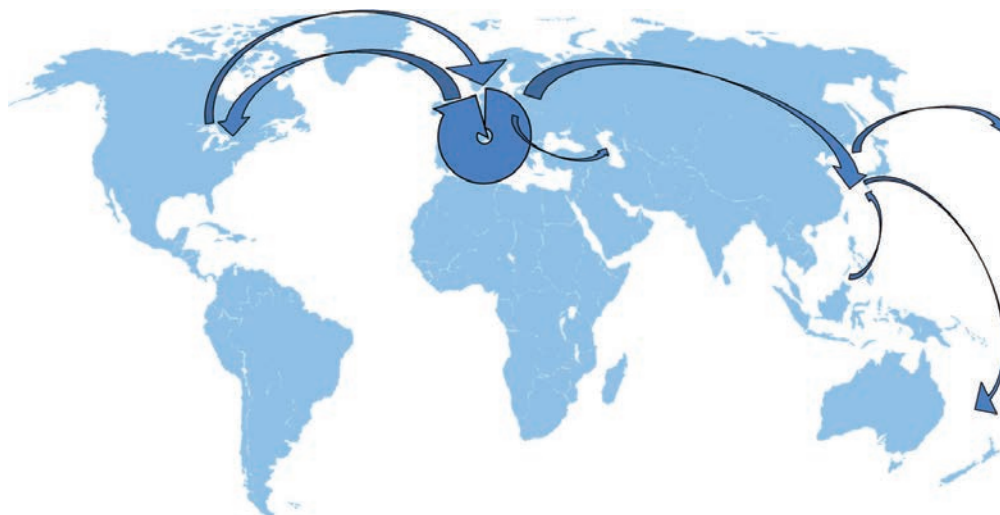
Source: Vanat (2013).

The international flow of skiers mostly occurs between adjacent developed countries, primarily within Europe. Cross-border and intercontinental ski tourism in other regions is marginal, although it is often seen as an untapped growth opportunity.

The drivers of mountain tourism are the new ski destinations in Eastern Europe, Central Asia, and East Asia. Most of these have also realized the importance of the summer season and have designed corresponding summer mountain tourism products. The most successful of these new mountain destinations rely on strong demand from domestic and nearby markets. Some also target price-sensitive Western European markets.

Mountain resorts in developing countries such as Spindleruv Mlyn, Czech Republic, Zakopane, Poland or Jasna-Chopow, Slovakia, have been modernized. In Eastern Europe, a new international ski resort was built in Bansko, Bulgaria and has since been very successful in attracting visitors. The Ukrainian ski resort Bukovel was built from scratch in 2000. The Babin Zub ski resort, located in the Stara Planina mountain range in eastern Serbia, is another example of a new and growing ski resort development project.

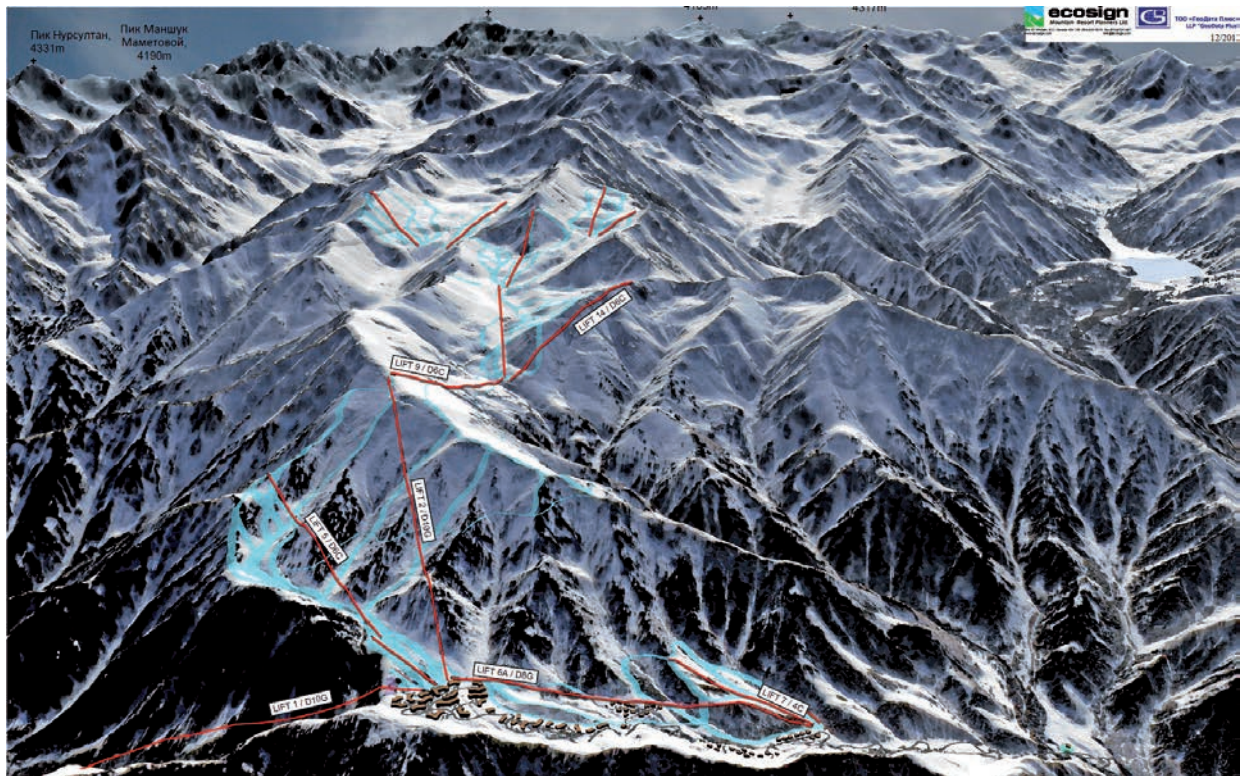
Figure 3.2 **The international flow of skiers occurs primarily between developed European countries**



Source: Vanat (2013), *International Mountain Tourism Report 2013: Overview of the key figures in the cable car industry and ski resorts*.

In Central Asia, new ski projects have been built, existing facilities modernized or expanded, and ambitious new projects added to the development pipeline. Shahdag Mountain Resort Complex in Azerbaijan opened in 2012, the Tsaghkadzor ski resort in Armenia finished its modernization in 2007 and the ski resort in Gudauri, Georgia, has successfully established heli-skiing as one of its core products while adding new infrastructure to expand its slopes. Other ski resorts are planned in the northern Caucasus and are top priorities for the Government of the Russian Federation. Once finished, the new resorts will consist of more than 1,000 km of slopes. In Kazakhstan, the completion of the Kok Zhailau resort near the city of Almaty in the Tian Shan mountains will provide additional capacity to the slopes offered by the existing resorts of Chimbulak and Ak-Bulak. The Kazakhstan government is supporting the expansion, along with Almaty's plans to bid for the 2022 Winter Olympics. The planned facilities are being developed with the assistance of Western European and North American experts and will meet state-of-the-art standards.

Figure 3.3 Model of projected Kok Zhailau Ski Resort



Source: Ecosign.

The Winter Olympics are another key driver of mountain tourism. The last Winter Olympics took place in 2014 in Sochi and reflected the Government's desire to promote its mountain tourism industry. New resorts such as Krasnaya Polyana were developed specifically for the games. They should help increase the popularity of winter sports in the Russian Federation while enhancing the country's reputation in the global tourism market.

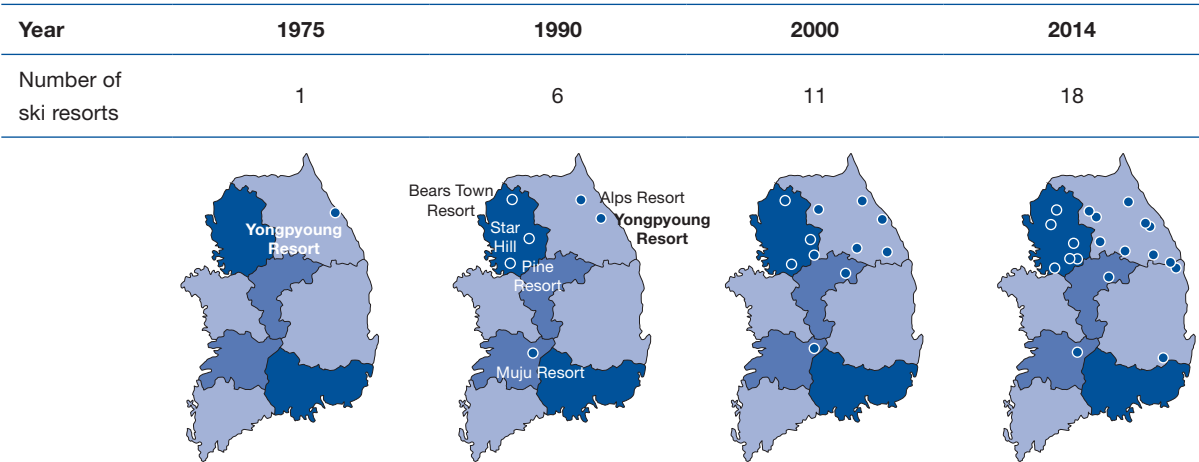
Figure 3.4 **Rosa Khutor Ski Resort, site of the Alpine ski competitions during the 2014 Winter Olympics in Sochi**



Source: Rosa Khutor Ski Resort.

The next Winter Games will take place in 2018 in the Pyeongchang Mountain Cluster in the Republic of Korea, where winter mountain tourism has become an increasingly popular and important pillar of the country's tourism sector.

Figure 3.5 **Growth of ski resorts in the Republic of Korea**



Source: Park (2013).



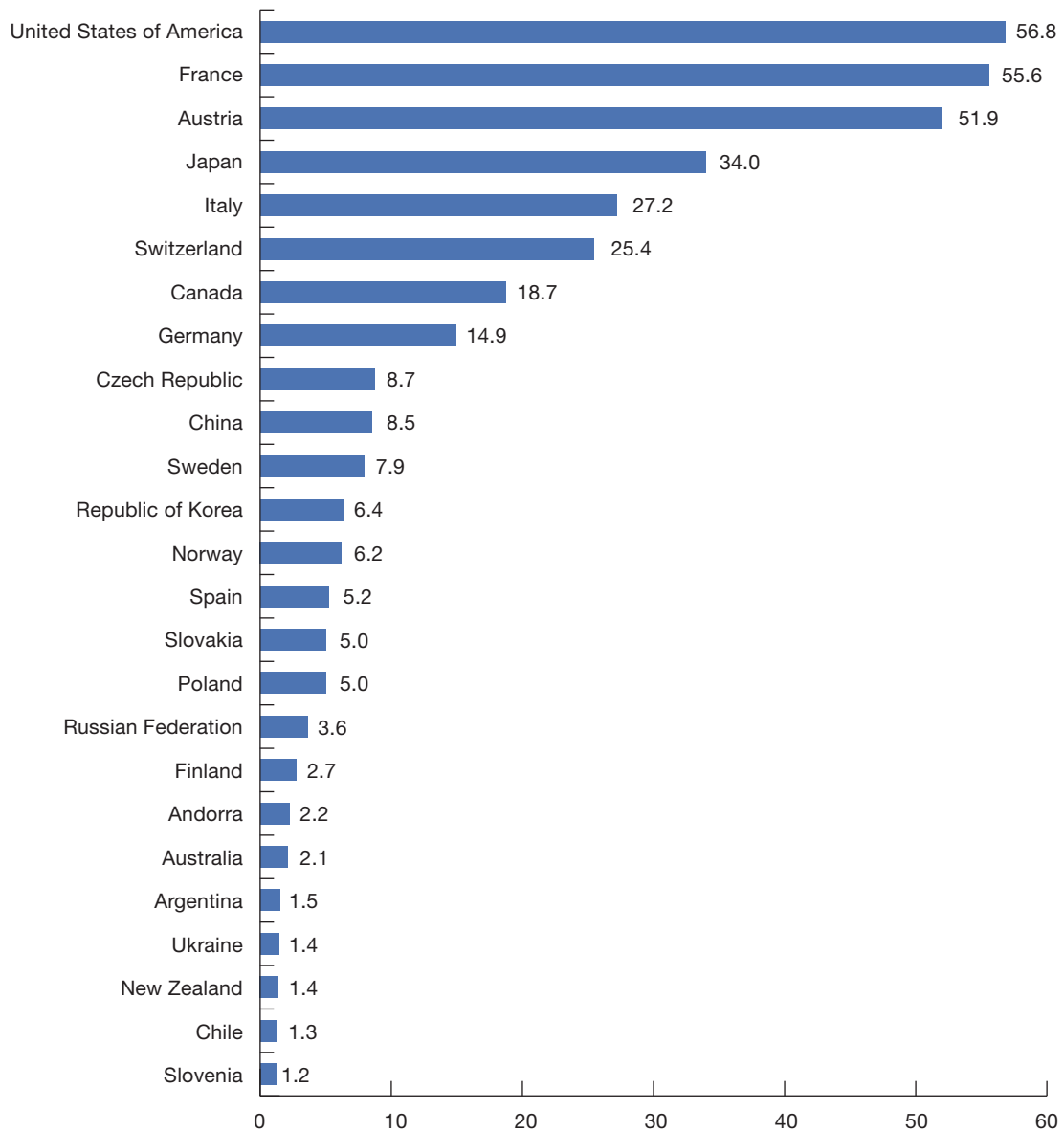
Yongpyong Alpine Centre will host the slalom and giant slalom in 2018.

Source: Yongpyong Mountain Resort.

The ski competitions will be split between the existing Yongpyong Alpine Centre, which will host the slalom and giant slalom events, and Jeongseon Alpine Centre, a newly developed area, which will host the downhill, Super G, and combined events.

Only eight countries have more than 10 million skiers visit per year. Each one is a developed country with at least one important mountain range within its borders. In most of them, mountain tourism is not strategically important to their national economy, although it may be on a local level, as is the case in Austria, Canada, France, Germany, Italy, and the United States of America. Each of these countries has regions with local economies that rely on a strong mountain tourism sector, such as the Tyrol in Austria, the Aosta Valley in Italy, or the many mountain cantons in Switzerland.²

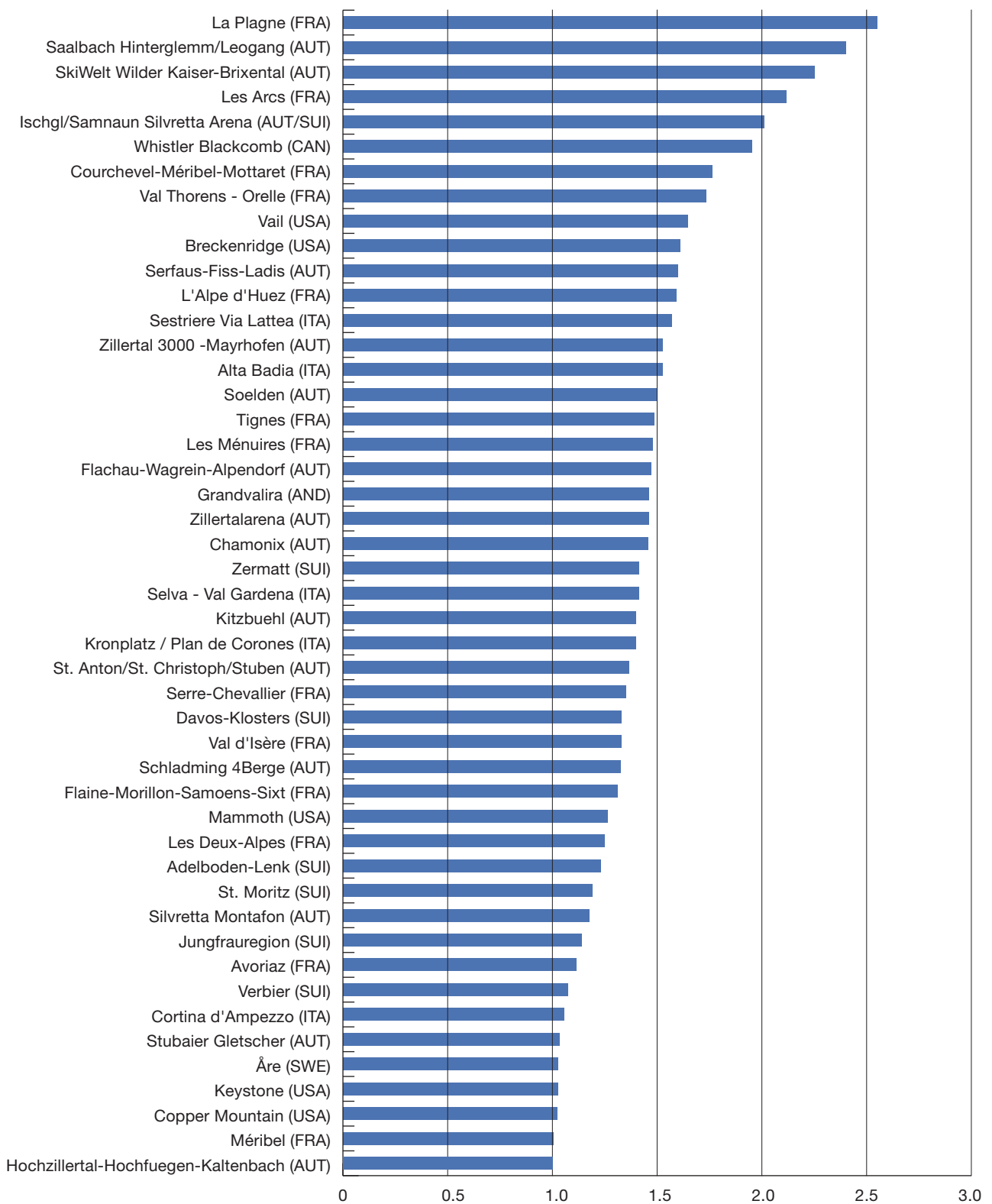
Figure 3.6 Average annual skier visits, 2010–2014 (million)



Source: Vanat (2014).

Demand for mountain tourism is heavily concentrated on the top international destinations, with tourists demanding the best ski areas, the most stunning views, and sophisticated services. There are 49 ski resorts with more than one million skier days, 39 of which are situated in the Alps, six in the Rocky Mountains, and one each in the Pyrennees and Scandinavia.

Figure 3.7 Mountain resorts with an annual average of 1 million or more skier days 2010–2014



Source: Vanat (2015).



The Mont Blanc and Matterhorn cable cars are the tallest in Europe.
Source: Zermatt Tourismus, ZBAG.



The highest European cable cars facing the Mont Blanc and the Matterhorn.
Source: Michel Caplin.

These resorts are also important summer mountain destinations, offering outstanding mountain railways and cable cars to reach panoramic views of famous and scenic mountains. The cable cars on Aiguilles du Midi, France at an altitude of 3,842 m and on the Klein Matterhorn, Switzerland at an altitude of 3,882 m both provide views of the picturesque peaks of Mont Blanc and the Matterhorn and attract more than 500,000 visitors a year. The cogwheel railway to Jungfrau Joch at 3,454 m and the rotating cable car to Mount Titlis at 3,063 m received 833,000 and 1,033,000 visitors in 2013 respectively, most of whom were Asians on their first trip to Europe.

3.3 Structural risks

The high cost of mountain sports such as skiing and the time required to travel to often remote resorts are both challenges for the mountain tourism sector. The cost of providing even basic services in mountain areas is another. But in contrast to these challenges, the industry enjoys substantial benefits such as unique attractions and outstanding services.

Figure 3.8 Threats and challenges for the mountain tourism economy

High travel/production costs and Competitive price disadvantage	Dependence on home markets and Low degree of internationalisation
Improved weather forecast and Shorter booking times	Seasonal demand fluctuations and Low occupancy rates

Source: Keller (2014a).

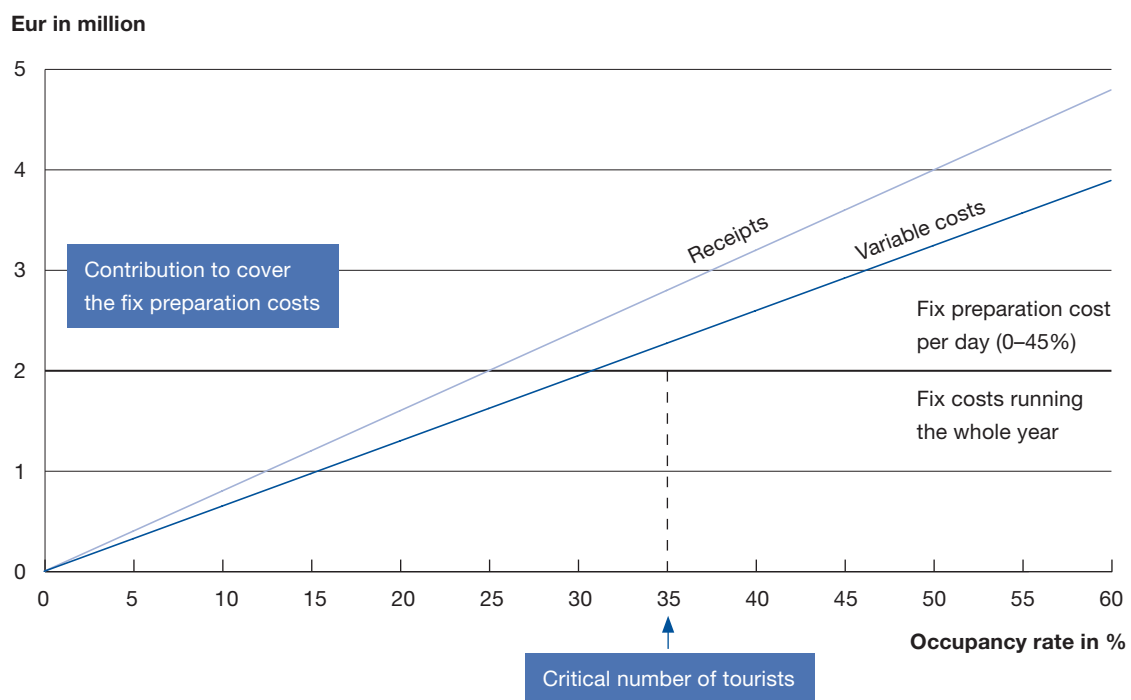
Mountain tourism relies strongly on domestic and nearby markets. From a macroeconomic perspective, this can be considered an advantage since it counters fluctuations in demand during the business cycle and mitigates the impact of exogenous crises. Dependence on domestic demand is nevertheless a risk once the market reaches saturation. It is difficult for mountain resorts to internationalize and compensate for losses if domestic demand is in decline. International

visitors spend more money and inject foreign funds into local economies. Overdependence on local demand can also represent a problem for developing countries, since it may not provide sufficient capital needed to build the high-end infrastructure required to attract foreign tourists.

Weather conditions are also becoming increasingly important. As technology makes weather forecasts more accurate, tourists are increasingly able to base their travel decisions on them. This is particularly true in the case of mountain resorts dependent on local demand, where visitors are more likely to postpone or cancel trips due to bad weather.

Seasonal demand fluctuation is another major challenge for mountain tourism operators. The seasonal nature of the industry leads to lower hotel utilization during the off-season, which in turn reduces profit margins and makes investments in expansion and modernization difficult.

Figure 3.9 Minimum hotel occupancy rates needed to cover fixed and operating costs (EUR million)



Source: Keller (2010) *Course manuscripts*.

While resorts can attempt to ameliorate some of the seasonality by scheduling off-season events, periods of low demand will always be unavoidable.

3.4 China and the Republic of Korea: the new destinations

Few new mountain tourism destinations have appeared in recent years. China is one of the two most important new mountain and ski tourism destinations, with more than 500 resorts. The provinces of Heilongjiang and Jilin have a tradition of winter sports that dates back to the 1930s. But the mountain leisure industry remained undeveloped until the last two decades, when new investment

in modern facilities created a ski tourism boom. Ski resorts such as Yabouli Sun Mountain Resort and Changbaishan have earned international reputations. Many smaller resorts near Beijing form an ideal place to develop interest in mountaineering and skiing activities among the general public. In Xinjiang Province, abundant snowfall, excellent vertical drops, and comfortable temperatures make it an ideal locale for the international ski market.

The second, and most successful, new destination for international mountain tourism is the Republic of Korea, with 70% of the country covered by mountains. Although not particularly tall, they enjoy abundant snowfall from November to April. The country also experiences amazing domestic demand during both summer and winter. 12% of the population hikes regularly, while 6% are active skiers. The Republic of Korea saw skiing rise in popularity as its population became wealthier, yet another indication of the correlation between mountain tourism and economic development.

The first ski resort in the Republic of Korea was built in 1975. It now has 17 resorts and attracts visitors from around the globe. European development practices have been adjusted and adapted to cater to local demand with resorts designed more like theme parks and operated 24 hours a day, seven days a week.

3.5 The Chinese market

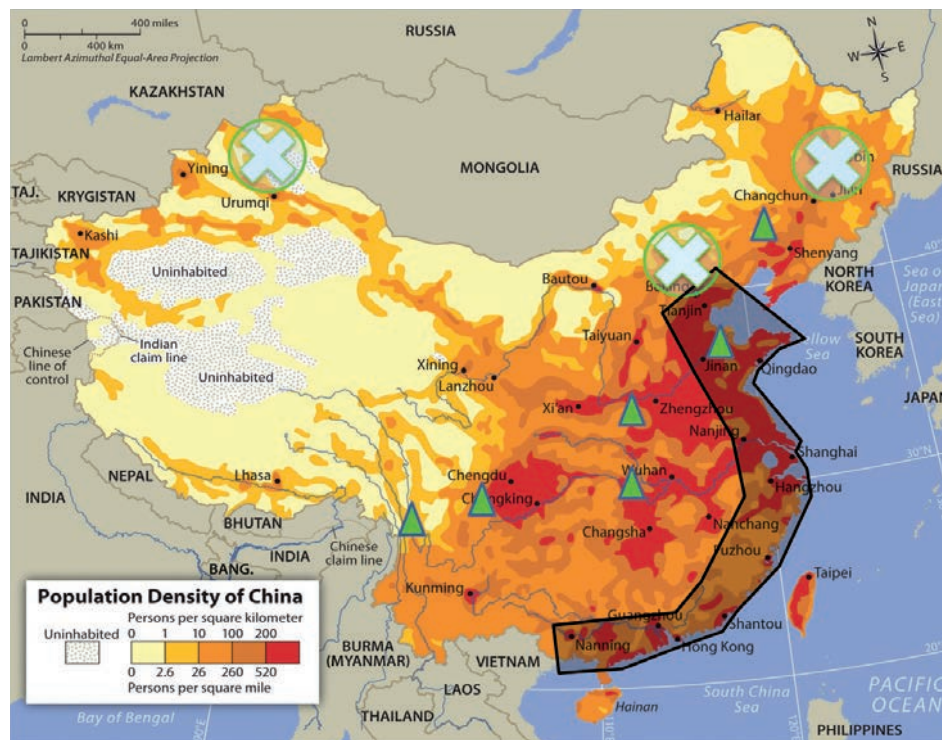
Many of China's smaller ski resorts are located around cities. Outdoor recreation in general and skiing in particular have not yet gained widespread popularity. Nevertheless, the country is poised for an explosion of interest as state-of-the-art resorts are being currently being developed. If China should win its bid to host the 2022 Winter Olympics, momentum for developing the industry further will only increase.

3.5.1 Overview

Most of China's ski areas are located far from the wealthy East Coast, where demand for ski facilities is likely to be highest. Of the 31 Chinese provinces, 24 have some kind of ski facilities. While the country can lay claim to 523 resorts, only 11 have a vertical drop that exceeds 300 m. Only 61 have chairlifts and only 12 have detachable lifts. The number of annual skier days is about 16 million. In comparison, Austria, one of the most important skiing countries, records about 58 million skier days per year.

Chinese resorts are concentrated in three main areas and six less important areas. Resorts near Beijing and neighbouring provinces are playgrounds for urban visitors and skiing trendsetters. Beijing and the neighbouring provinces of Tianjin and Hebei are the only economically developed areas where favourable natural conditions for skiing exist. Between 1999 and 2008, more than 20 ski resorts were built by private investors and opened in the outskirts of cities. A cluster of ski resorts was built in Chongli, a mountain region 220 km northwest of Beijing. Today, the capital is the industry trendsetter, stimulating investment from other regions.

Figure 3.10 Major Chinese ski areas



Source: Ries (2013), *The future of the Chinese ski tourism: experiences with the development of ski resorts*.

Winter resorts also help develop the north-eastern provinces where skiing in China originally started. In Heilongjiang and Jilin the winter sports tradition dates back to the 1930s. The first lifts were built in 1934 and the northeast became a national skiing centre in the 1960s. Private investment led to the construction of ski resorts such as Yabouli and Mao'er Shan in the provinces of Heilongjiang and Beidahu, and the Changbaishan and Vanke resorts in the province of Jilin. The government has supported the less developed north-eastern provinces in their endeavours to become winter sports centres. These efforts aim to attract new investment to upgrade or privatize existing facilities in order to create modern ski resorts. Insufficient snowfall and vertical drop, harsh weather conditions, and distance from potential customers constitute serious obstacles which limit the region's potential. The target clientele for such resorts are visitors from the wealthy coastal regions looking for a once-in-a-lifetime experience.

The Xinjiang Province is China's most promising region for ski tourism. It is the only region in the country where international quality ski resorts can be built, thanks to ideal natural conditions: abundant snowfall, excellent vertical drop, beautiful landscapes, and cold but comfortable temperatures. There are seven ski resorts in the Urumqi area with new developments throughout the region either being planned or already progressing.

But most Chinese resorts are small operations found on the outskirts of major cities, offering winter sports to residents who have never seen snow. Others are located in city parks, some with seasons of a month or less due to their location and prevailing weather conditions. Six ski domes are currently in operation, with many more in the pipeline. More important developments have already begun near the cities of Shenyang (8 million inhabitants) in the Liaoning province,

Jinian (6 million inhabitants) in the densely populated Shandong province, and Nanyang in Henan province (10 million inhabitants). Other important resorts include Shennongjia (Hubei province), the first integrated ski resort in North China, the popular Xiling Mountain in Sichuan province with 1.2 million skier days in 2012/2013, and Shangri-La at the foot of the Himalaya in Yunnan province in the southwest.

3.5.2 Development factors impacting the Chinese market

Several exogenous factors influence the Chinese ski market. The country's rapid economic growth has not yet been matched by a proportional increase in domestic consumption. Holidays involving outdoor activities are still unknown. Participation in leisure sports remains low, regular practice even lower. Interest in outdoor activities and nature is limited. Domestic tourism often consists of passive sightseeing tours and tourists are often directed to destinations where "everybody has to go". A widespread mountain sports culture has yet to be developed, with skiing seen as an elite activity that is unaffordable for the average Chinese household. Less than 20% of first-time skiers say they intend to ski again. The Chinese still consider skiing a dangerous and physically demanding sport. Most first experience skiing at one of the country's micro-resorts on the outskirts of big cities, and their first experience is often a negative one.

Public-private partnerships and public authorities both play important roles in planning and building ski resorts. Public authorities grant land for projects, issue concessions and licences, support infrastructure financing and organize events. Processes and decisions should be transparent to all stakeholders, particularly investors, on the basis of public-private partnerships. The decision makers in the private sector should have the expertise and experienced partners, and apply proven management principles.

3.5.3 Jundushan Ski Resort, Beijing

The Jundushan Ski Resort, which opened in 2002, is located 30 km north of Beijing. It offers skiing and other related activities, accommodation, restaurants, and some summer activities. The winter season of approximately 60 days is rather short. The resort is small with a total length of slopes of 2,000 m. About 150,000 visitors come each season with daily peaks of 6,000. Hotel and restaurant services are efficient and of good quality. Many non-skiing visitors come to Jundushan to enjoy the winter atmosphere, the sun, and the fresh air.

Jundushan is one of the few profitable winter resorts in China thanks to its conversion into a multi-functional outdoor recreation resort. Due to the area's natural conditions, the resort cannot be expanded, so only minimal improvement to the existing facilities are being undertaken. Nevertheless, it has contributed to the emergence of a local mountain and ski culture in the capital.

3.5.4 Yabuli Sun Mountain Resort, Heilongjiang Province

In 1982, the Chinese Sports Commission chose to build a government-owned ski resort in Yabuli. In 1995, a Canadian development company was commissioned to elaborate on the master plan for the Asian Winter Games that were to be hosted in Yabuli. After upgrading the facilities with public funds, the Games were successfully held in 1997.

In 1996, local authorities granted a concession to a private investor to build the first private integrated ski resort in China. Several other investors followed. The resort was finally taken over by a Chinese finance company which invested heavily in the resort from 1998 to 2007, but which was unable to operate it successfully. Melco China Resorts eventually acquired the resort, with the objective of converting it into a western style destination using real estate business models. Since 2011, French holiday village operator Club Med has managed the resort under the name Sun Mountain and changed the concept to meet the needs and expectations of its domestic visitors.

The government-owned High Mountain Ski Resort, which is also nearby, is competing in the same area. It hosted the Alpine, Nordic, and Freestyle Skiing events of the 2009 Winter Universiade and is also used for professional ski training. The resorts do not coordinate their ski passes or cooperate in any way. Additionally, some small cable car companies for beginners operate in the same location, making it difficult to distinguish between the different offers at Yabuli.

3.5.5 The Wanda Changbaishan Resort, Jilin Province

The Wanda Changbaishan Resort was developed by a group of investors headed by Wanda Group, the largest real estate conglomerate in China. It is an integrated, all-season resort with a state-of-the-art ski area, golf courses, several hotels ranking from 4 to 6 stars, a Cineplex, a museum, and other facilities. Hotel chains such as Westin (Starwoods) and Accor have operated in the resort since its opening in June 2012. The target clientele are tour groups from the wealthy coastal areas and cities such as Shanghai.

The project is part of a major development that includes the construction of a town designed for 500,000 inhabitants, assigned by the local government to the Wanda Group. During the first ski season in 2012–2013, more than CNY 20 million was allocated to subsidize tour operators in order to bring groups to the resort. The number of skiers has failed to match expectations and it is yet to be seen whether the huge investment will pay off in the long term.

In contrast to earlier developments, Wanda Changbaishan Resort has a strong local investor with a long-term development vision. It is situated on a carefully chosen site with expertise provided by internationally established resort developers. It has a strong market concept and solid government backing. There is a willingness to execute the plans and its objectives and to finance the necessary investments. Furthermore, the customers' wishes and needs are taken into account.

3.5.6 Conclusions for China

China's potential could be even better realized if global practice for mountain resort development and management were applied, such as:

- Larger resorts;
- Private investors with strong government backing;
- Sites selected based on objective criteria such as terrain suitability, temperature, and snowfall;
- All season resort concepts with multiple facilities and activities for different market segments;
- Integration of all facilities, real estate, accommodation, cable cars, leisure, and entertainment into a long-term master plan;
- The use of high-end equipment;
- Environmental assessment studies and sustainable building and operating;
- Use of local and international expertise;
- Professional planning;
- Market studies to identify target groups and customer needs; and
- Addressing account sales issues as an integral part of the planning.

3.6 The case of Yongpyong All-seasons Resort, Republic of Korea

The Republic of Korea is another new mountain tourism destination. The case of Yongpyong All-seasons Resort is an example of the typical Korean mountain resort where leisure sports activities are practised day and night. The Republic of Korea has strong domestic demand for mountain tourism. It is also successful in attracting international visitors. The slalom and giant slalom competitions during the 2018 Winter Olympics in Pyeongchang will be organized on the slopes of Yongpyong All-seasons Resort.

3.6.1 Basic conditions

70% of the territory of the Republic of Korea is mountainous. The highest peak, although not suitable for skiing due to its location on the country's southern-most island, is Mount Halla (1,950 m). Vertical drops are generally less than 1,000 m. In practice that means that the slopes are rather short. Slopes are relatively challenging and demand advanced skiing skills. Despite annual snowfall of only 250 cm, the Republic of Korea enjoys good snow conditions. The winter season begins as early as November and lasts into April.

Skiing is not considered a demanding activity, but rather as a form of entertainment thanks to resorts with large slopes which are relatively straight, smooth, homogeneous and operated 24 hours a day. Some resorts have begun to diversify by offering golf courses and water parks during the summer.

3.6.2 The importance of the domestic ski and mountain tourism market

The 18 ski resorts in the Republic of Korea generated a total of 6.5 million skier days with a market of about 2.5 million skiers, representing 5% of the total population. This community provides a solid basis of demand for mountain tourism. On the other hand, hiking continues to be the favourite leisure sports activity in the country, and is practiced once a week by 18.5 million people or 12% of the population.

Yongpyong was created in 1975 as the first ski resort in the Republic of Korea but was soon followed by others. Their number increased from seven in 1990 to 18 in 2014. In the last 20 years, the increase in the number of skiers was closely linked to the country's GDP. Once again, the correlation between economic development and skiers is evident. The bigger travel budgets of middle class tourists is a main driver in the growth of winter sports.

The Republic of Korea is also a rising power in the East Asian market. It is situated two hours from China and Japan. 41 cities with more than one million inhabitants are only a two-hour flight from Seoul. The distance from Beijing to Seoul is 950 km, and 1,150 km from Tokyo. International tourism is driven by intra-regional flows, although the Republic of Korea also sees many ski tourists from tropical and warm weather climates.

Table 3.1 Origin of international skiers in the Republic of Korea

Country of origin	Share in 2013/2014 season (%)
China	25.5
Hong Kong, China	22.1
Singapore	11.7
Thailand	10.0
Malaysia	9.0
Taiwan Province of China	8.1
United States of America	2.7
Indonesia	2.7
Others	8.2
Total	100

Source: Korean Ski Resorts Business Association.

Mountain tourism facilities were built in the Republic of Korea by the private sector, and mountain tourism has become a market-driven development. Mountain tourism in the Republic of Korea is generally speaking a profitable business.

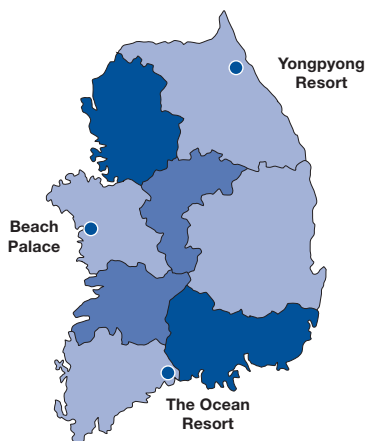
3.6.3 The business model of Yongpyong All-seasons Resort

The Yongpyong All-seasons Resort has three development priorities situated in different regions of the country. The central resort is a ski resort, with an ocean resort and beach resort forming the rest. All three are managed by the same company.

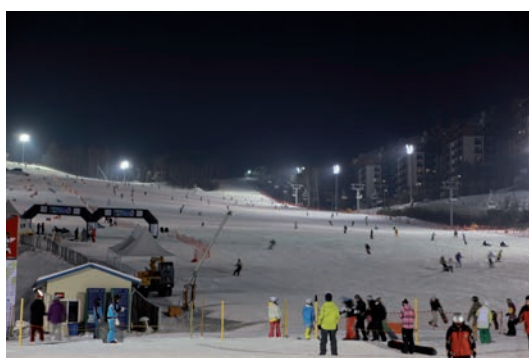
The ski resort

Yongpyong Mountain Resort is located in a very inhabitable mountain range only 700 m above sea level. The distance from the resort to Seoul is only 200 km. Its 4,300 acres contain 31 ski slopes, a 45-hole golf course, a water park, premium hotels and condominiums, and other leisure facilities. The Yongpyong Mountain Resort is internationally renowned for its entertainment, events, and leisure culture for which it is called “Korea’s Ski Mecca”.

Figure 3.11 The three sites of Yongpyong all-seasons resort



Source: Park (2013), *The successful ski resorts in Korea - the case study of YongPyong Resort*.



Night skiing at Yongpyong Mountain Resort.

Source: Yongpyong Mountain Resort.

15 lifts provide access to the 29 km of slopes. The altitude of the lifts is 738 m and the highest mountain station is situated at 1,438 m offering a vertical drop of 700 m. The skiing area is rather steep with 14 of the 31 slopes being black or red and suitable for excellent and good skiers. The slopes are wide, homogenous, and straight. They are equipped with snowmaking facilities and are open until midnight. Yongpyong became internationally known for hosting different winter events such as the Fourth Asian Winter

Games in 1999, the Biathlon World Championships in 2009, and various slalom and giant slalom events in the men’s FIS World Cup in recent years. During the 2018 Winter Olympics, the slalom and giant slalom competitions will take place on the slopes of Yongpyong Resort which suit its

topography whereas downhill and Super G races require 800 m of vertical drop and will be hosted in the nearby and newly developed Jeongseon Alpine Centre.

Diversification through golf courses and water parks

The diversification of the Yongpyong Mountain Resorts is a response to social changes in the society of the Republic of Korea. Skiing is no longer the most important source of revenue, having declined by 10% in the last decade, and interest in golf has decreased in the same period by 3%. Most significantly, the pop-driven entertainment industry in the Republic of Korea, known as “Korean Wave”, has changed leisure sport oriented resorts into places where lodging, catering, entertainment and the basics of a comfortable and enjoyable tourism stay are much more important than its leisure sport offerings.



Golf course at Yongpyong Mountain Resort.

Source: Yongpyong Mountain Resort.

The summer season is important for Yongpyong. The low altitude of the ski resort and its topography lends itself to large mountain golf courses. The resort offers two 18-hole and one 9-hole course. The investment in “Peak Island”, a water park for 3,500 people with indoor and outdoor facilities of more than 8,000 m², is profitable and complements both the summer and winter offerings. Golf and theme parks are interesting opportunities for larger mountain resorts for attracting visitors during the summer season.

Chapter 4

The dynamics of structural change in mountain tourism

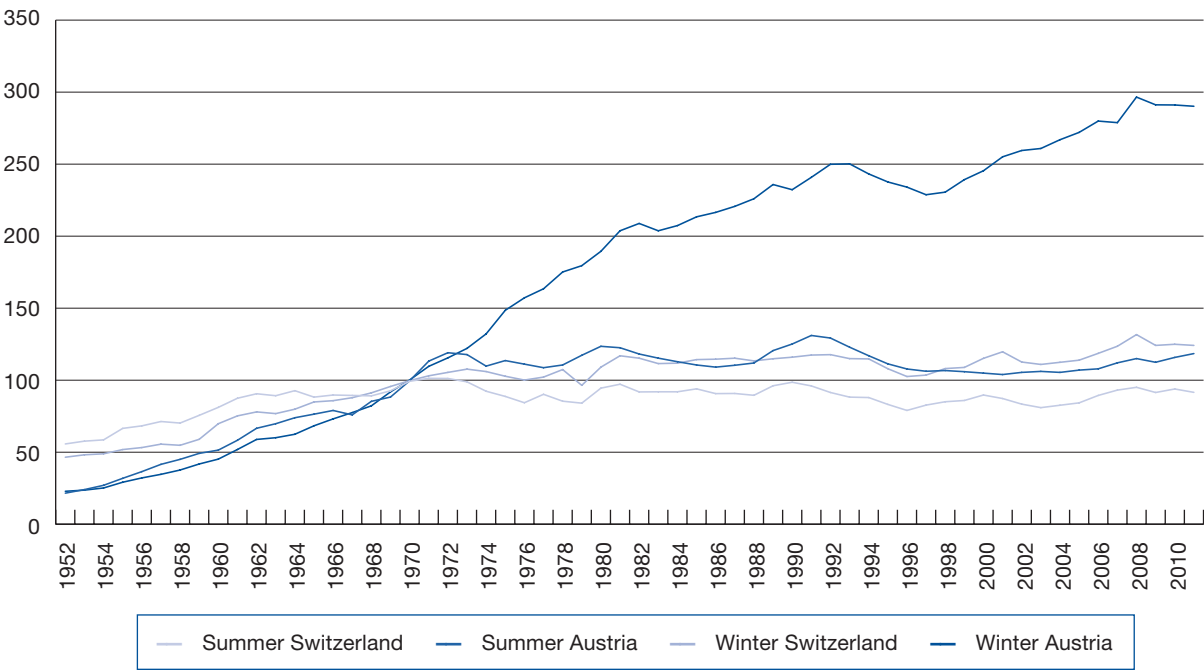
Mountain tourism has reached maturity. Its market has changed shifted from a mass market to a multi-niche market in traditional mountain tourism countries. Fewer visitors than before pursue Alpine leisure sports, whether in the summer or winter, and fewer families with children choose the mountains for their summer holidays. As for skiing in particular, the dramatic decline in interest may be attributed to the high costs inherent to this sport. The supply structures have likewise changed in these countries, with improved accessibility leading to shorter stays in the mountains and secondary homes replacing hotel and resort accommodations. On the upside, new leisure and adventure sport disciplines have been introduced, and trends such as the back-to-nature boom and Alpine wellness, both reflecting the increasing interest in healthy lifestyles, are stimulating mountain tourism demand.

4.1 The maturity of mountain tourism in the main markets

Mountain tourism is basically a market between “equals”, i.e., a market between countries of similar consumer preferences and products. These countries are the traditional mountain tourism countries that offer most of the mountain specific tourism facilities. They are also the main source markets for mountain tourism travellers. These countries can look back at a long tradition of more than 200 years in summer tourism, 150 years of Alpine winter sports and 50 years of skiing on built and groomed slopes. Mountain tourism has reached its maturity in the traditional mountain tourism countries.

Summer holidays in the mountains, formerly the holiday of choice for families with children and best agers, have been in decline in some mountain tourism countries since the first oil crisis in the 1970s. This is certainly the case in Switzerland, a pioneer of mountain tourism, and Austria, the most successful mountain tourism country in the second half of the 20th century. Mountain tourism in the summer has been stagnating in both countries, whereas winter tourism is still slightly increasing in Austria.

Figure 4.1 Stagnating overnight stays in hotels in Austria and Switzerland,1952–2010

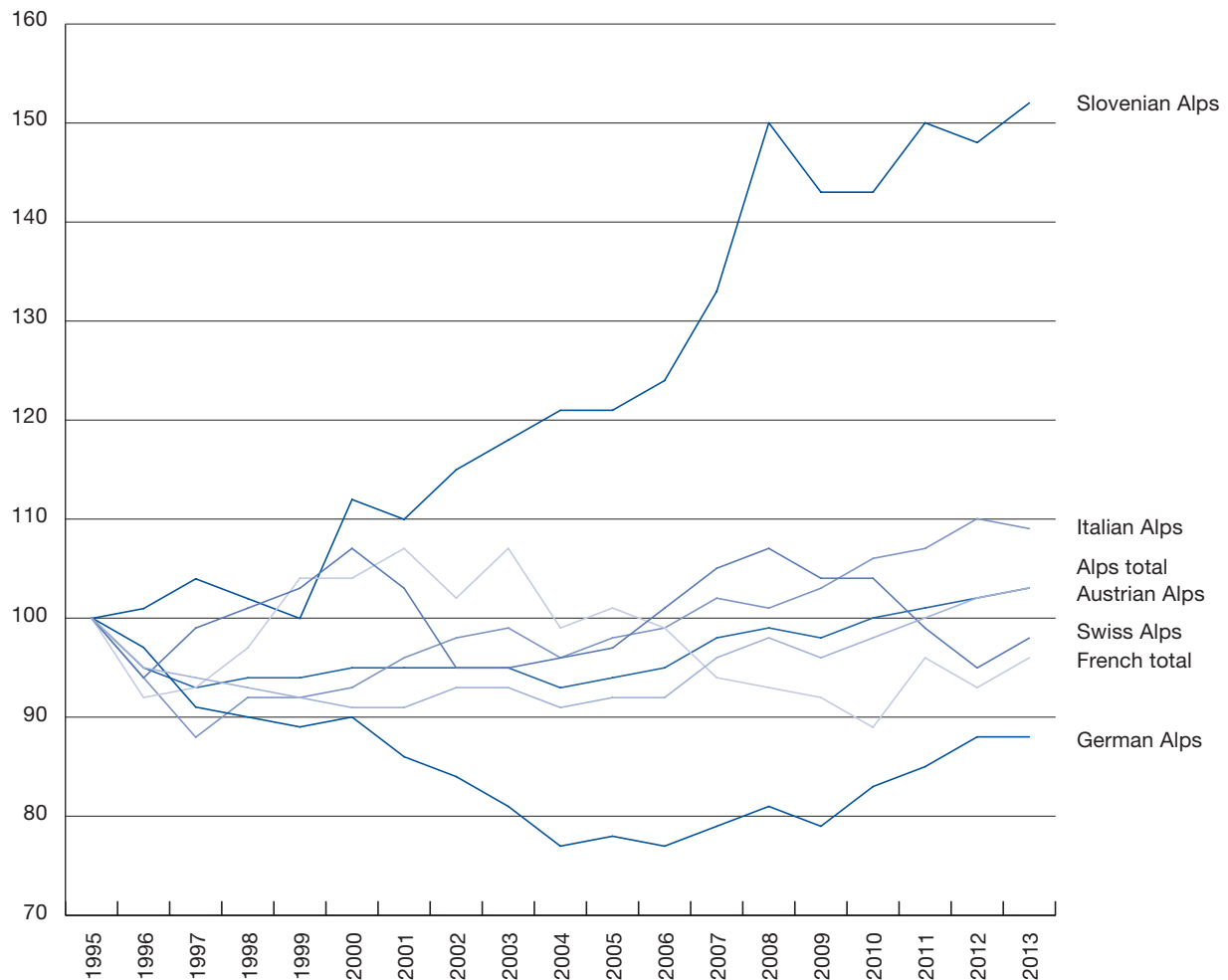


Notes: Indexed: 1970 = 100; data before 1977 estimated).

Source: Kämpf, R., SECO Tourism, SFO, Statistik Austria: Accomodation Statistics, Estimates BAK BASEL.

Summer tourism has stagnated and declined in recent years in all Alpine countries, hence summer mountain tourism is no longer a growing form of mass tourism in Western Europe.

Figure 4.2 Stagnation of summer tourism in Alpine countries, number of overnights, 1995–2013

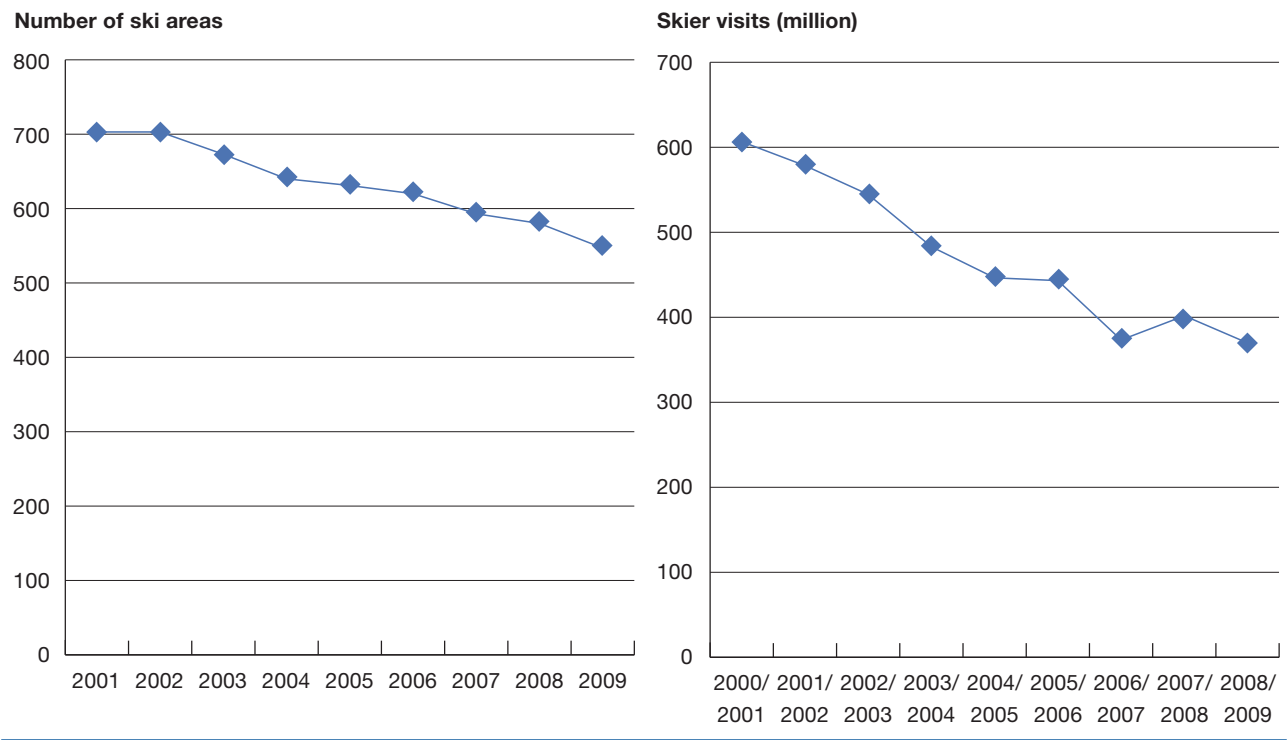


Note: Indexed: 1970 = 100.

Source: BAK Basel (2014), *Tourism Benchmarking Report*.

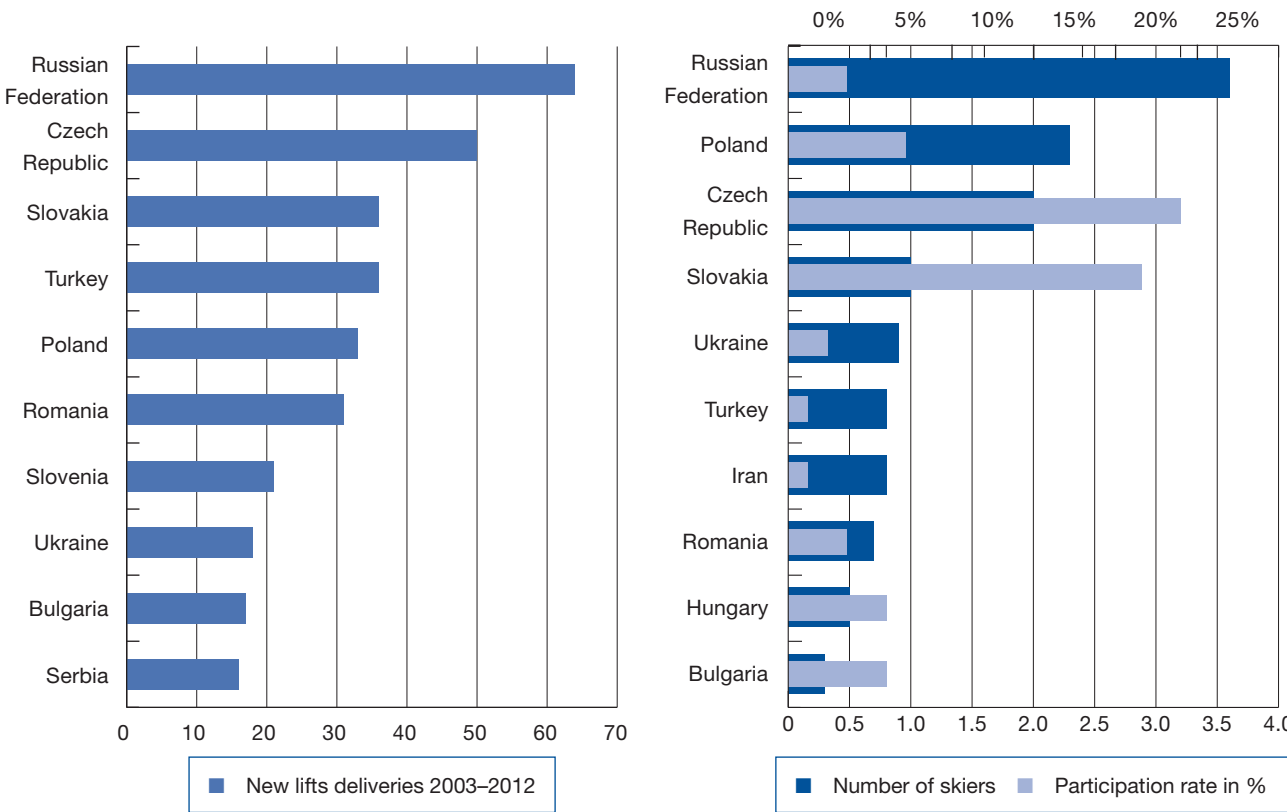
A similar development is affecting winter tourism with a flattening demand curve from skiers in the Alpine countries, despite the increasing number of new ski resorts. The skiers market in the United States of America has seen a stabilization of skier demand after a decade of stagnation. Japan is the most affected country in terms of loss in demand as skier visits have shrunk by more than 30% in only a decade and numerous ski areas ceased operation. The new winter destinations in Central and Eastern European and Asian countries are still growing, their potential has not yet been fully realized.

Figure 4.3 Declining number of ski areas and skier visits in Japan, 2000–2009



Source: Vanat (2013), *International report on snow and mountain tourism 2013: overview of the key industry figures for ski resorts*.

Figure 4.4 Number and participation rate of skiers in the Eastern European and Central Asian countries



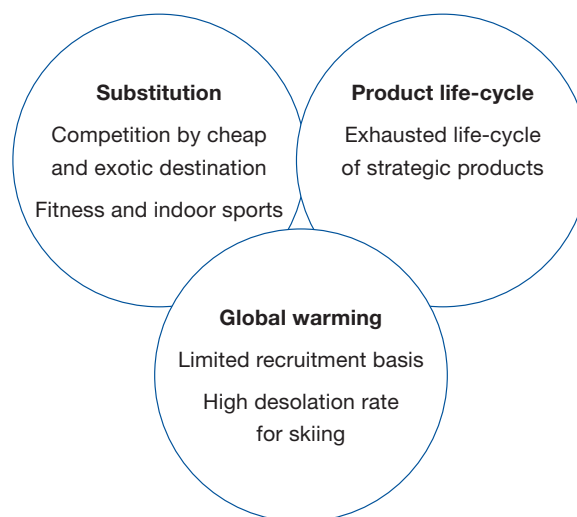
Source: Vanat (2013), *International report on snow and mountain tourism 2013: overview of the key industry figures for ski resorts*.

4.2 The new market conditions

For many years, mountain tourism benefited from its consecutive booms. To see the sun rising behind the Alps was a must in the 19th century. In 1868, Queen Victoria, the ruler of the British Empire, was carried in a sedan chair to Mount Rigi in Switzerland to see the sunrise. For decades, skiing was the only popular form of winter outdoor recreation in developed countries. Hence, it was not necessary to actively promote mountain destinations.

The proliferation of new holiday destinations as a consequence of the ongoing globalization process has, however, led to substitution processes. Traditional winter tourism resources have lost their monopoly on winter holidays due to the emergence of sea, sun and sand destinations in the Mediterranean and tropical climate zones. Family holidays in the mountains during the summer season, which were very popular in the second half of the 20th century in Western European countries, have lost their appeal and faced fierce competition in the form of less expensive and less physically demanding forms of tourism.

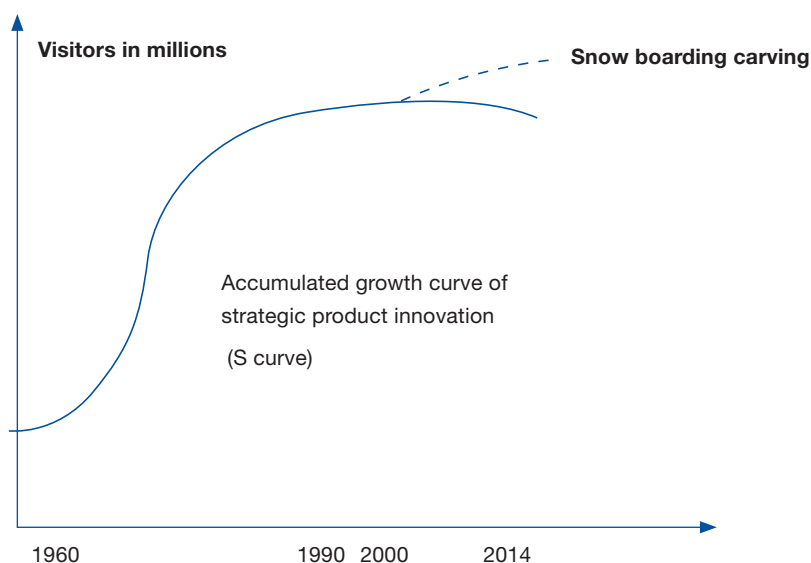
Figure 4.5 The new market conditions and their impact on Alpine countries



Source: Keller (2000), *Key Success Factors for Winter Sports Resorts*.

The life cycle of downhill ski sports as a driver of winter tourism in mountains continues to decline despite efforts to rejuvenate it by innovations such as snowboarding, carving ski or the introduction of new winter leisure sports such as freeriding or snow kiting. There is increasing evidence that individualized and non-organized leisure sports often do not have a long life-cycle, a fact that is reflected in the list of disciplines represented at the Olympic Winter Games: the inclusion of new Alpine niche sports is accompanied by the exclusion of other disciplines.

Figure 4.6 **Declining life-cycle of skiing in traditional mountain countries after only five decades, 1960–2014 (visitors, million)**



Source: Keller (2007), *Towards an innovation oriented tourism policy*.

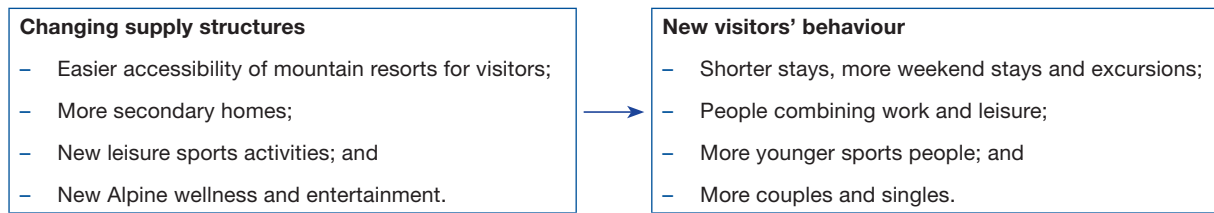
Skiing may still be the most popular winter leisure sport activity, with 40% of the Swiss population and 38% of the Austrian population still skiing regularly. Nonetheless, the decline in skiing's popularity is undeniable: in Austria, 57% of the skiers practice the sport less than before and 5% have stopped skiing altogether. The main reasons for this decline was revealed in a recent survey: 47% of the respondents pointed to prohibitively high costs and 38% to a lack of time.

The positive news for Austrian winter sports is that one third of the adolescent and adult skiers are under 30 years of age. In Switzerland, fewer and fewer children are being introduced to skiing and this mainly for two reasons. In a multicultural country with foreigners representing 24% of the population, the lack of a skiing and winter holiday traditions among many families is having an impact. Furthermore, participation in ski camps for schoolchildren is in decline. There is a substantial loss of demand from skiers in the country, particularly in the age group 20 to 40.

4.3 Changing supply structures and new visitors' behaviour in traditional mountain countries

Besides the new market conditions which depend on exogenous influences on the demand side, there is also an ongoing change in the supply structures of mountain tourism in traditional mountain countries. These structures have influenced visitor behaviour.

Figure 4.7 Influence of new market structures on visitor behaviour



Source: Keller (2014), *Introduction, Mountainlikers: new trends in mountain tourism for the summer season*.

Motorways and airports have made access to mountain resorts much easier and less time-consuming. Mountain resorts such as Chamonix or Whistler are linked with Geneva and Vancouver by expressways. Such easier access has led in turn to shorter stays, while the number of day-trippers for hiking and skiing has increased. Two thirds of the income generated by the Swiss cable car industry is linked to receipts from excursionists. At the same time, visitors are lodging less frequently in hotels.

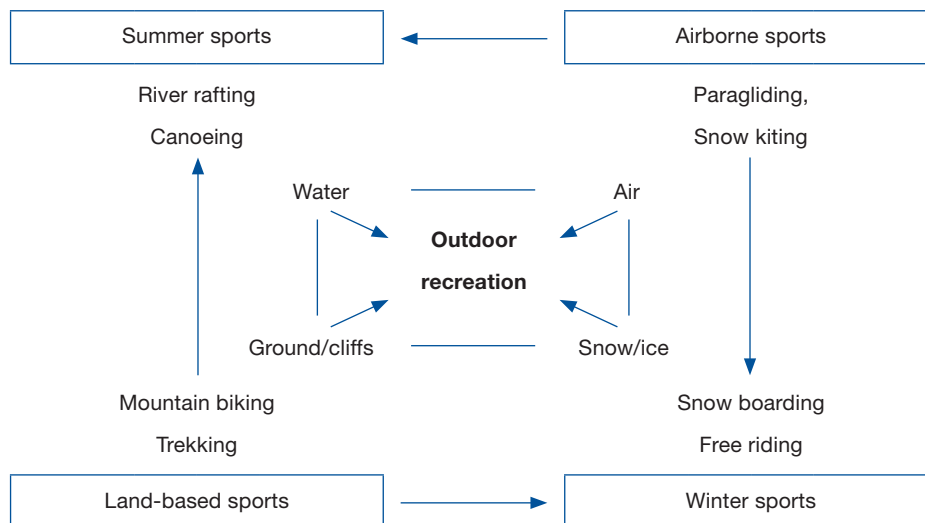
Along with the ageing populations of developed countries comes the decline in numbers of births in these countries and consequently less visitors embarking on summer school holidays. The separation between work and leisure time has become largely irrelevant in the era of “work-life-balance”. Shorter, albeit more frequent, mountain stays in the spring and fall have become a trend. Increasing numbers of people are seeking out the mountains as a place to work quietly, thanks to the improved accessibility of mountain resorts and the increasingly sophisticated information and communication technologies available in many mountain locations.

Mountain tourism depends on outdoor leisure sports activities such as hiking or skiing, which are practiced by most of the visitors. In recent decades, these traditional activities have been complemented by many other leisure and adventure sports activities. Two of these complementary activities have become pillars of mountain tourism – mountain biking during the summer and snowboarding during the winter. These have both brought the younger generation to the mountains and rejuvenated the image of mountain tourism. The previous image had been perceived for many years as a form of tourism for families with children or for older people and was not linked to characteristics with a clear focus on a healthy, youthful and active lifestyle.

Mountain health clinics, thermal baths and sanatoria have continued to profit from the Alpine climate with its resources for healing diseases such as tuberculosis. These facilities still exist and have been further enhanced by the Alpine wellness movement being practiced in the recreational atmosphere of trendy modern spas.

This holistic health concept also includes preventive measures to avoid stress or obesity, conditions prevalent among the older generations of developed societies.

Figure 4.8 The new leisure and adventure sports of the mountains



Source: Keller (2001), *Introductory Report, World Conference on Sports and Tourism*.

4.4 New trends creating mountain tourism potential

There is no game-changing innovation to be expected in the near future which could trigger a new Alpine boom. Nevertheless, there are some trends which could stimulate an increase in mountain tourism both in the winter and summer season. These trends correspond to changes in the socioeconomic and ecological environments of mountain tourism and thus do not represent a marketing hype on the part of those who sell goods and services. They rather reflect changes which profoundly affect daily life in the long run.

Mountain tourism is no longer booming in the traditional mountain countries. The mass tourism segment of families with children and older people is declining in the traditional mountain countries. The tradition of ski holidays of families in the winter and hiking holidays in the summer has been declining for years in these countries. On the other hand, new forms of mountain tourism characterized as multi-segmented and multi-niche tourism are on the rise.

Seasonality is no longer considered a constraint, but rather an asset. Mountain tourism is no longer bound to the skiing week in the winter and the three weeks of family summer holidays, both determined by the school year and its corresponding holiday breaks. The enhanced accessibility and warmer climate as well as the improved equipment for mountain leisure sports and the wider, more diversified spectrum of indoor and outdoor facilities on the other hand, have made mountain tourism a year-round form of tourism.¹

The health and fitness megatrend has stimulated activities and sports that correspond to the outdoor boom. Against this backdrop, mountains represent a unique playground for leisure sports activities. Certain trends in leisure sports have very short life cycles and soon disappear just

¹ GDI (2010).

as quickly as they emerged, since they are essentially based on commercial hype. Yet other trends prove to be more stable and become key drivers in summer and winter tourism product development.



Foreign investments favours the rejuvenation of mountain tourism facilities and infrastructure as in the case of the Bürgenstock Resort in Lucern, Switzerland.

Source: Bürgenstock Hotels AG.

Urban populations within the vicinity mountain chains are caring more about the protection of mountain wilderness and landscapes. Natural and regional parks are booming and are being identified as an asset worth protecting. On the other hand, more and more people are seeking mountain peaks and panoramas. Urban dwellers wish to be lodged in facilities that reflect mountain tradition and culture, which and represent a contrast to city life. Indeed, both trends are complementary. Nature should be protected, but should also be made accessible to visitors who in return become more sensible

and respectful for environmental issues in mountainous areas. Viewing platforms, cliff walks or rotating cable cars with either a double-deck or open upper decks enable everyone to experience the beauty and the wilderness of high mountains without disrupting the delicate balance of life forms found there.



Internationalization of demand translates into visitors to the Alps from non-traditional source markets.

Source: TITLIS Cableways, Hotels and Gastronomie.

Currently, an unexpected phenomenon is affecting many traditional summer tourism places in mountain areas. They are overrun by visitors coming from faraway. The internationalization of demand is important for both summer and winter tourism that are facing decreasing visitor numbers from domestic and neighbouring markets. There are many intercontinental visitors currently discovering the Alpine attractions in Western Europe, particularly from the BRIC countries, the Middle East and Gulf States.

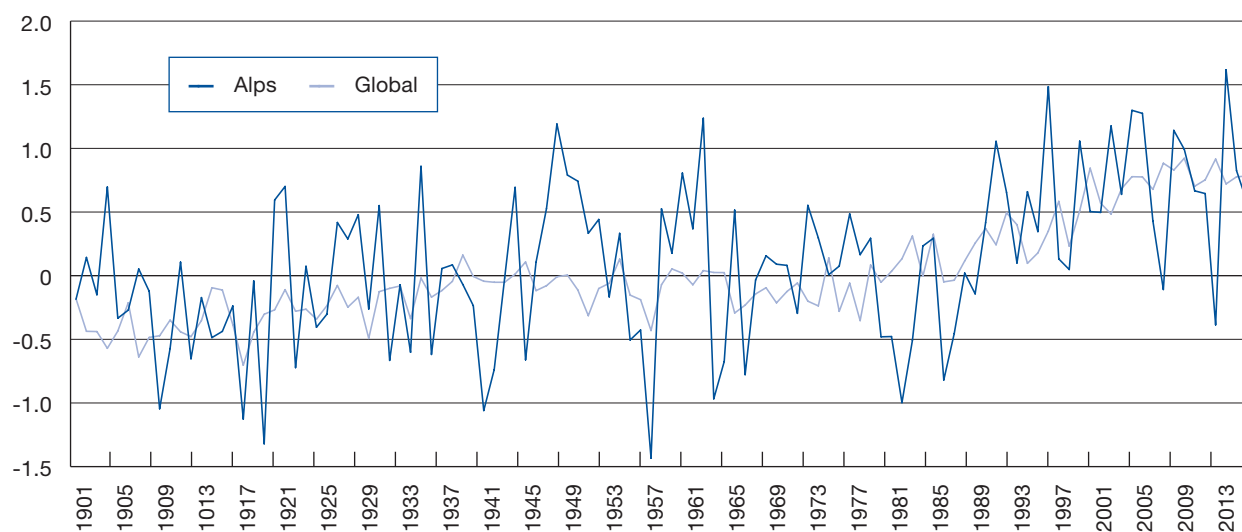
Additionally, investors from these countries spend billions of dollars for the rejuvenation of traditional summer mountain resorts and their spas. Qatar State Fund, which already owns several high-end hotels in Switzerland, is looking to invest CHF 485 million (EUR 444 million) in a project on a mountain near Lucerne that will include a 5-star hotel with a total of 364 beds and a spa covering 10,000 m².

The impact of global warming in Alpine regions has caused average temperatures to be three times higher than in the surrounding flatlands, according to scientists. The upside is that with mountain summers becoming warmer and lasting longer, summer activities can be promoted. Resorts are able to recreate a beach-like atmosphere with palm trees planted in public areas. Swimming in the clear waters of mountain lakes has also become increasingly attractive for visitors. On the

downside, warmer summers cause the melting of glaciers that have provided a “white” summer attraction for mountain tourism.

The rise of global temperatures increasingly turns into a serious development obstacle for winter tourism in mountain areas. The minimum depth of snow cover which allows for a skiing season of 100–120 days is increasing. The total number of days that permit skiing has been decreasing in the Alps for many years. The flatlands close to mountain chains often do not get any snow, a fact which does not offer an incentive for the population living there to buy ski equipment and prepare for winter holidays.

Figure 4.9 The increase of temperature in the Alps during the last century, 1901–2013 (°C)



Source: Beniston, Data from MeteoSwiss and University of East Anglia Climatic Research Unit.

4.5 Introduction to the cases

Central and Eastern European countries in the proximity of mountain ranges have a long tradition of mountaineering and skiing, but they have had to implement significant modification in their resorts to meet the needs of the domestic and international markets. In countries of transition, these processes of restructuring of mountain resorts were mainly carried out without the help of the state. The first case is the about Tatry Mountain Resort, a Slovak holding company, which in recent years has invested successfully in the restructuring of the major ski and mountain resorts in the higher and lower Tatra in Slovakia and the Czech Republic. The holding company has grown in size through the acquisition of premier resorts. In 2009, a new equity issue was listed on the Bratislava Stock Exchange and in 2012 Tatry Mountain Resort obtained stock exchange listings in Prague and Warsaw. This paved the way for additional financing to further business expansion and market restructuring. As both investor and operator, the holding company controls the entire development of its resorts.

The second case describes the comeback of Japan as a mountain tourism destination. In the 1960s, Japan built almost one thousand ski resorts. Many people in Japan were skiing enthusiasts and long queues at ski lifts were a common phenomenon. However, due to the Japanese economic crisis, the number of resorts shrunk from 947 in 1996 to 821 in 2010. The revenue from lifts decreased by two thirds in the same period. Since then, Japanese mountain tourism has been showing signs of recovery. An outstanding example is Niseko, a traditional ski resort located on the northern island of Hokkaido, which succeeded in capitalizing on its unique snowfall and powder snow conditions for its relaunch. Niseko and its innovative entrepreneurs achieved the internationalization of the resort by an orientation towards the intraregional market and by successfully adapting its accommodation and leisure facilities to the new demand.

4.6 The rejuvenation of mountain resorts of countries in transition, Tatra Mountain Resorts Company TMR²

Tatra Mountain Resort TMR is a Slovak holding quoted at the stock exchange of Slovakia (Bratislava), Czech Republic (Prague) and Poland (Warsaw), which owns and operates traditional international mountain resorts in the High and Low Tatras. Its strategy, which was successfully implemented in the last decade, is a benchmark for resort development in transition countries.

4.6.1 The basic conditions

TMR owns cable cars, hotels, restaurants, sports article stores, ski schools and an aqua park in two traditional mountain resorts of the High and Low Tatras situated in Slovakia (Vysoké Tatry, Jasná Nízke Tatry), Poland (Szczzyrk) and the Giant Mountains in the Czech Republic (Spindleruv Mlyn).

The mountain resorts of the Tatras are easily accessible from their major source markets which are the domestic markets Slovakia, Poland and the Czech Republic as well as nearby countries such as the Baltic States and Ukraine with a long mountain leisure sports tradition. There are 7.5 million people living within a zone of 200 km.

The resorts operated by TMR have significant comparative and competitive advantages. To the east there is no real competitor with similar characteristics, offer and conditions within 1,000 km. This gives them a de facto monopoly since there is no competitor who could create a similar Alpine resort atmosphere. Additionally, the Tatras were already a well-established winter and summer destination in the East European countries in transition. The main source markets of Poland, Czech Republic and Slovakia are characterized by rapidly growing economies and have a high national participation rate in skiing.

2 Hlavaty (2014).

Figure 4.10 The Tatras are the top mountain destination for customers from nearby markets



Source: based on Hlavaty (2014), *Rejuvenation and consolidation of mountain resorts: what are the key factors for success? The case of Tatry Mountain Resort S.A., Slovakia.*

Map credits: based on Daniel Kaesler | Deamstime.com.

There are middle and upper class strata of the population that can afford to practice mountain tourism sports during the winter and the summer season. This allows TRM to promote the most spectacular places in the higher Tatras for high-end customers and position the lower Tatras as a destination for the market segments of young people, families and sports enthusiasts.

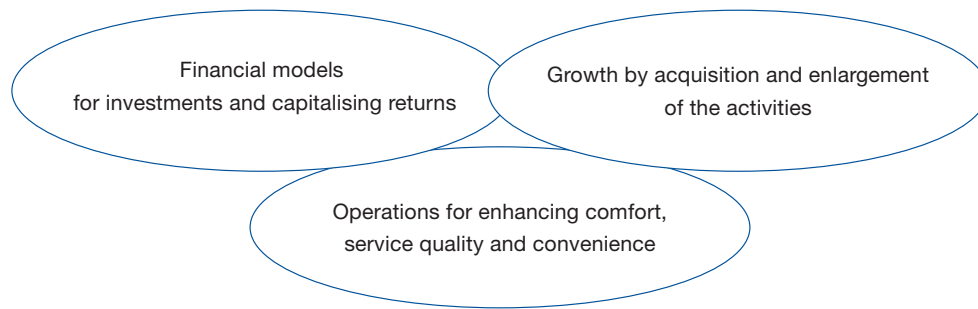
The lower cost level permits TRM to offer their mountain tourism facilities and hotel stays for more reasonable prices than their competitors in the Alps, more than 500 km to the west. The sum of comparative advantages due to the geographic situation and the framework conditions of countries in transition has created a mountain tourism-friendly framework that TMR successfully capitalizes on.

4.6.2 A growth-oriented business strategy

TRM has profited from the fact that the existing mountain resorts were out of fashion with outdated facilities and a lack of budget to invest in their rejuvenation. In such situations, capital-intensive facilities such as cable cars, skiing areas or full service hotels are often not profitable enough. They often lack the possibility to finance the necessary modernization themselves and the capital costs of bank loans are either not available or too expensive.

TRM is a shareholder company and this allows for them to finance its investments by going public. Its shares are traded at the parallel market of stock-exchange listed securities. This financing model permits the company to have the necessary amount of financial means for taking over resorts by the acquisition of leading local mountain tourism businesses such as cable cars, hotels and restaurants, but also sports article shops renting out skis or ski schools.

Figure 4.11 The business strategy of TRM in a nutshell



Source: Based and synthesized out of Hlavaty (2014).

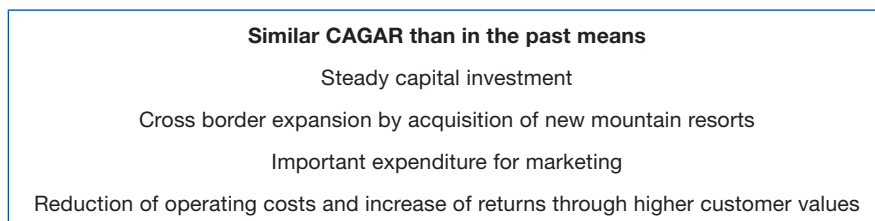
The company is at the same time an investor and operator of its mountain tourism resorts. It has introduced modern cable cars, carried out a modernization programme for the existing hotel facilities and increased accommodation capacities. Skiing areas were expanded in order to offer more kilometres of slopes and equipped with modern snow making technology. It has also invested in new types of leisure activities such as theme parks. Tatralandia is a state-of-the-art aqua park with indoor and outdoor swimming pools, a themed area called Tropical Paradise, wellness facilities and leisure and sports installations. Along with the adjoining holiday village, it is a year-round attraction in the middle of the mountain region of Liptov. TRM is also building hybrid accommodation facilities for private owners by guaranteeing them an annual long-term capitalization of their investments. Above all, it is working constantly on enhancing comfort, service quality and convenience for its visitors.

4.6.3 The performance drivers

TMR is a dynamically performing company with an excellent 5-year compound annual growth rate (CAGR). Its operating revenues and earnings before interest, taxes, depreciation and amortization (EBITDA) have grown by double digits. The company has been able to successfully impose higher ticket prices thanks to the consumer surplus it can offer its customers.

The main drivers of the strong growth of TMR are its ability to invest by going public and maintaining a steady investment rhythm, the enlargement of the company through the acquisition of new resorts and the cost benefits due to economies of scale that allows for reducing costs and offering more to its customers. Last but not least, an important factor is the strong and resilient marketing presence TRM has in its main source markets. The strategy for the company's further development will continue along the same path and follows the concept of further expansion.

Figure 4.12 The drivers of future growth for TRM



Source: Based and synthesized out of Hlavaty (2014).

4.6.4 Conclusions

TRM is a unique model for the development of integrated mountain resorts with two major seasons in countries in transition. The company seeks to maintain a similar CAGR in the future. It will therefore be obliged to proceed with additional acquisitions in countries other than Slovakia and Czech Republic. It will have to increase its returns through an even higher level of quality of its services and further develop its real estate activities, which means selling apartments to customers with substantial purchasing power.

4.7 The comeback of snow tourism in Japan: the case of Niseko³

Skiing was very popular in Japan in the 70s and 80s, but the domestic ski market has experienced a dramatic decline due to the Japanese financial crisis of the 1990s, and two decades of an economic slowdown. Niseko uses its unique snow conditions as a unique feature that allows a process of diversification of its source markets and a consequent strategy of internationalization under the leadership of innovative entrepreneurs such as Ross Findlay who introduced new adventure sports activities to the country and took the necessary adjustments in their strategies and market orientation.

4.7.1 The basic conditions



Back-country skiing in the unique powder snow of Niseko.

Source: YTL Hotels.

Niseko is small town located on the northern island of Hokkaido, just 90 km from Sapporo and Chitose International Airport. Niseko often refers also to a wider area that consists of various ski resorts nestled in the flanks of Mount Iō and Mount Annupuri within sight of the emblematic Mount Yōtei. Four of the ski resorts form Niseko United ski area that accesses interlinked ski resorts boasting a combined 2,191 acres of skiable terrain. Lift

³ Findlay (2013).

operations started in 1961 and the region is famous for its powder snow. It typically snows on a daily basis from mid-December to the end of February, guaranteeing perfectly soft and powdery snow covers on the ski courses and also allows for back-country skiing on various unofficial back-country ski-courses. Compared to many other ski resorts in the world, however, Niseko is at a low altitude. The highest elevation in the region is 1,309 m and most of the skiing is done below 1,000 m. The base of the ski resort is at 250 m, meaning that the ski resort is still in the trees, which helps protect skiers from the weather and keeps the ski resort open even in extreme weather. Weather records confirm that the snow fall over the last 25 years remained steady between 4 and 6 m of light dry powder per season.

For people based in Asia, Niseko is a viable alternative to Europe, America and Canada, thanks to its relative proximity. Owing to the increase in direct flights to Chitose International Airport from several major Asian airports, skiing and holidaymaking in Niseko is becoming more convenient for Asian visitors.

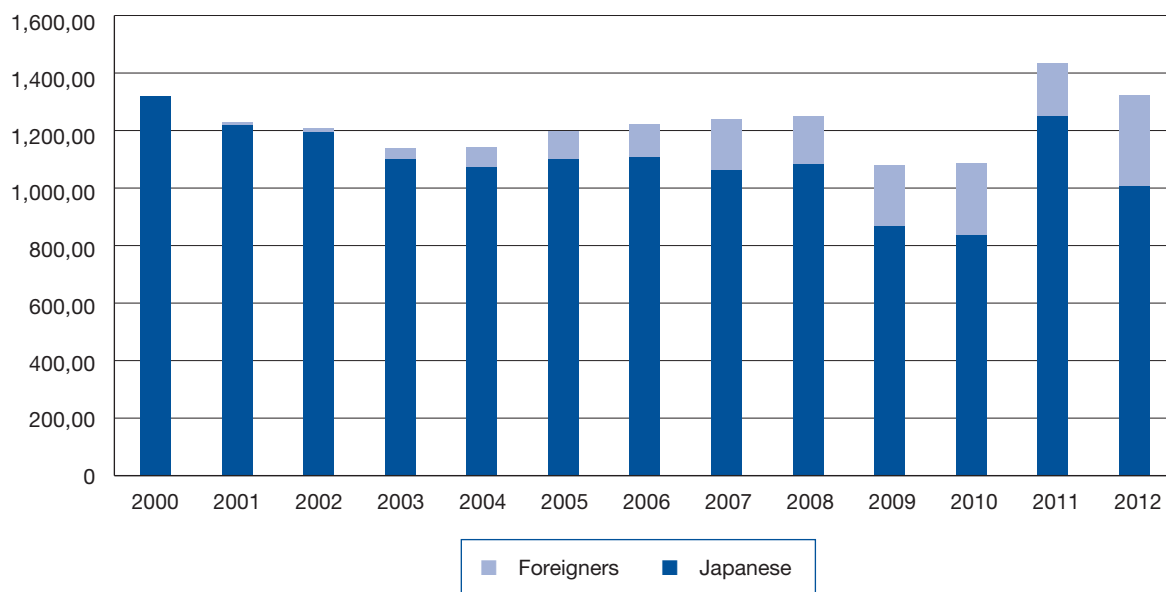
One-day lift ticket pricing of Niseko United is similar to resorts in the Alps with EUR 50 for the 2014/2015 season. Niseko's major attraction, however, remains its reliably excellent snow cover. As it snows nearly every day, the slopes are always soft and no artificial snowmaking is necessary. Anyone skiing off-piste discovers nothing less than powder heaven.

4.7.2 Niseko's changing ski market

Niseko has undergone several changes since 1961. During the Japanese economic bubble, it was common to wait for 20 minutes or more in lift queues. The boom established ski resorts all over the country and the business became a large industry. From the mid-1990s, however, the market decreased dramatically and ski resorts all over the country closed down. In 1996, there were 947 ski resorts in Japan; this number had shrunk to 821 by 2008. Lift revenue had shrunk by almost two-thirds from 1996 to 2010 (around EUR 440 million), with the number of skiers and snowboarders decreasing from 16 million in 2001 to 11 million in 2010. Similarly, all businesses associated with the ski industry had to either close down or restructure. Niseko was no exception. Pensions were having a hard time repaying loans and ski resorts were unable to invest in improvements to their facilities.

At the end of 2001, in the wake of the 9/11 tragedy, many Australian skiers cancelled their overseas ski trips to Europe or North America, but others sought alternative destinations. At that time, there were in fact two Australian companies offering Niseko ski holidays. They usually attracted an average of ten guests, but after 9/11, they suddenly had 200 guests wanting to come. With 200 skiers representing a critical mass in terms of word-of-mouth advertising, visitor numbers multiplied dramatically over the years. Niseko currently welcomes about 15,000 Australian ski enthusiasts per annum. This number represents approximately one third of the overseas ski market in Australia.

Figure 4.13 Increasing number of foreign skiers in Niseko, 2000–2012



Source: Niseko Tourism Board.

The power of word-of-mouth advertising had also attracted other source markets, including China; Hong Kong, China; the Republic of Korea; Malaysia; the Philippines; the Russian Federation; Singapore and Taiwan Province of China. New direct flights from Indonesia and Thailand have been established in recent years. Initially, visitors included mainly expats and people who chose to work or study in a country where they could ski. As the destination became more established, however, an increasing number of first-time skiers came. In this respect, Niseko is contributing to the creation of a brand new population of skiers throughout Asia. Niseko is also attracting proficient skiers from all over the world who want to personally experience Niseko's famed powder snow, including a great number of skiers from Europe and North America.

Table 4.1 Foreign guests as of country of origin of Niseko's Winter Season, 2013–2014 (%)

Region	2012–2013	2013–2014	2014–2015
Australia and New Zealand	51.0	61.3	54.6
Hong Kong, China	16.0	13.6	13.5
Singapore	8.0	8.3	9.4
Other Asian countries	8.0	5.7	7.4
Europe and North America	6.0	5.5	7.6
Taiwan Province of China	4.0	1.4	1.3
China	3.0	3.5	3.6
Others	4.0	0.8	2.7
Total	100	100	100

Source: Adapted from Niseko Tourism Board (2015).

4.7.3 Adapting to the needs of the international ski market

Until the 2001 season, Niseko only catered to Japanese clientele. To adjust to the new international ski market, fundamental changes became necessary. Information had to be offered in English: menus, maps and road signs, price lists, webpages among many others. The ski schools needed English-speaking instructors and as Japanese family ski holidays usually only last for a few days, they even had to introduce weeklong ski courses for foreign customers who stayed much longer.



Niseko Village Real Estate Development Project – traditional architecture meets international demand.

Source: YTL Hotels.

In addition, the gastronomic offer had to be enhanced to meet the demand of foreign tourists who liked to explore and experience different places to eat and drink, unlike Japanese visitors, who tended to dine in their own accommodations. A night bus link to Niseko town was established to facilitate easy access for the new type of tourists. The publication of a Wine and Dine booklet describing all the restaurants and cafes made it easier for people to find the culinary experience they were looking for.



Ski-in ski-out residences at The Rocks, Strata, Niseko Resort, Japan.

Source: Riccardo Tossani Architects.

Perhaps the biggest change has been in the accommodations offer. Traditional guesthouses and business hotels evolved to more comfortable hotels and a great variety of condominiums. Hostels still catered to the considerable number of backpackers visiting Niseko. Many things happened with the advent of the subsequent real estate boom. Initially, prices were reasonable and condominiums sold well. However, investors and developers poured into the market, prices rose and properties were bought with

only a resale at a later date in mind. Thus, they were not further developed and real estate development came to a complete halt when the global crisis caused by the Lehmann Brothers bankruptcy sent shock waves around the world. Recently, new projects with ski-in ski-out residences in condominium buildings and upscale hotels catering to mostly foreigners were launched.

Governmental assistance

The Japanese government has been keen to help Niseko develop. One of the main obstacles was that Niseko was the prototype for Japan, being the country's first international ski destination. Hence, having no other example for the government to refer to, there remains a considerable lack of knowledge on how to rejuvenate Japanese ski resorts. It also means that there is a certain amount of risk associated with the government's initiatives. At the local level, the local tourism board had a limited tourism budget and very few staff. Promoting and developing tourism at an international level was indeed a challenge.

Nevertheless, its achievements proved that the strategy was adequate and Niseko's future had positive prospects. Concepts with a clear vision and defined objectives still need to be formulated and the measures implemented in terms of sustainability and the development of an all-season international resort area. All stakeholders share that vision and follow the strategies agreed upon. The positive results of the last decade are promising and the case of Niseko could serve as blueprint for other resorts. The knowledge and expertise gathered over the years has become invaluable input for the Committee for the Revitalization of the Japanese Snow Resort originated by the Japanese government.

4.7.4 Conclusions

Niseko is a clear example of successful rejuvenation of a mountain resort. Triggered by an external event that suddenly redirected international tourist flows, it proves that foreign visitors can help substitute decreasing domestic demand and keep visitor numbers constant. On the other hand it underlines the importance of a singular, difficult to copy product. Reacting promptly, knowing what international skiers demanded, and adjusting the supply rapidly according to their needs was the key to success. It also shows that good connectivity and direct flights linking source markets keep travel time at a minimum. The definition of a clear vision shared by all local shareholders as well as the implementation of the formulated objectives in strategies at regional or national level are hence the next step in making Niseko a blueprint for the revitalization of the Japanese ski industry. It underlines the need for cooperation between different levels of public administration, interdisciplinary collaboration, and public-private partnerships.

Chapter 5

Positioning and branding

Positioning and branding are as important for mountain tourism as they are for any other type of tourism. Resorts must communicate their competitive advantages to their target audience regularly and coherently. Modern information technologies such as the Internet and mobile devices are creating new branding opportunities while also bringing the costs of marketing down.

5.1 Positioning and branding

The highly competitive nature of the tourism industry makes market positioning crucial for mountain tourism operators. Prospective tourists must be convinced of the value of mountain vacations compared to other vacation options, such as tropical destinations. A strong communication strategy can be critical for revitalizing the fortunes of mature mountain resorts.

The beauty of mountain landscapes as a unique selling point versus competing tourism destinations.



Snow covered mountain.



Paradise beach setting.

Source: Dreamstime Stock Photos; Dominican Republic Ministry of Tourism.

Unfortunately, it is increasingly difficult to capture the attention of prospective clients due to the explosion in marketing content being driven by technological progress. The resulting information overload can make it difficult for resorts to stand out from the competition. To confront this challenge, an effective communication campaign requires both sufficient financial resources and an intelligent strategy.

Mountain resorts are defined by the resources provided by their location, which can make it difficult for resorts to differentiate themselves from the competition. Most resorts offer extremely similar to each other, offering almost identical products and services throughout the world.

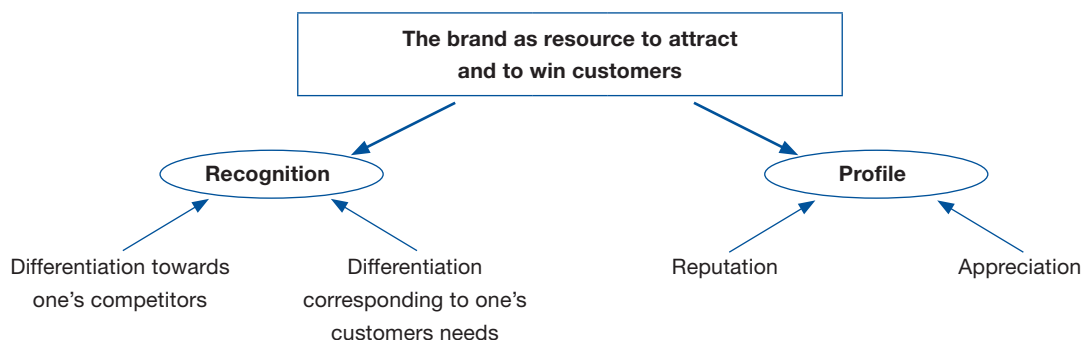
Nevertheless, effectively positioning tourism products is crucial to mountain resorts, and must take into account how a destination can meaningfully differentiate itself from competitors by communicating what makes it unique.

Because of the mature nature of the mountain tourism industry, operators must be able to provide distinctive products and services to differentiate themselves from the competition. For example, large resorts in remote territories can offer helicopter skiing as a distinctive service.

For mountain resorts offering more traditional services, marketing and messaging is even more important. The Serfaus Fiss Ladis resort in the Austrian Tyrol is a perfect example. Located in one of the most successful mountains tourism regions, the resort has focused on servicing families and adjusted its communication strategy accordingly. Market positioning strategies must also remain responsive to changes in environmental or market conditions. Climate change, for example, is forcing mountain resorts at lower altitudes to either find ways to guarantee sufficient snow cover or look for other products to attract visitors.

The process of positioning a resort within the broader market requires providers to coordinate all of their communication activities toward a common goal, according to a well-defined strategy designed to build the brand. This process requires both sufficient time and financial resources in order for it to be executed properly. Resorts should start by carefully reviewing the features and services they provide, before choosing which ones to focus on in their branding strategy.

Figure 5.1 The two components of a brand



Source: Keller (2014b)..

“Branding is the set of communication activities which support the creation of a name and logo that identifies and differentiates a product or a destination. It consistently conveys the expectation of a memorable travel experience that is uniquely associated with a given product or destination. It consolidates and reinforces the emotional connection between the visitor and the destination and reduces the visitor’s search costs and perceived risks”.

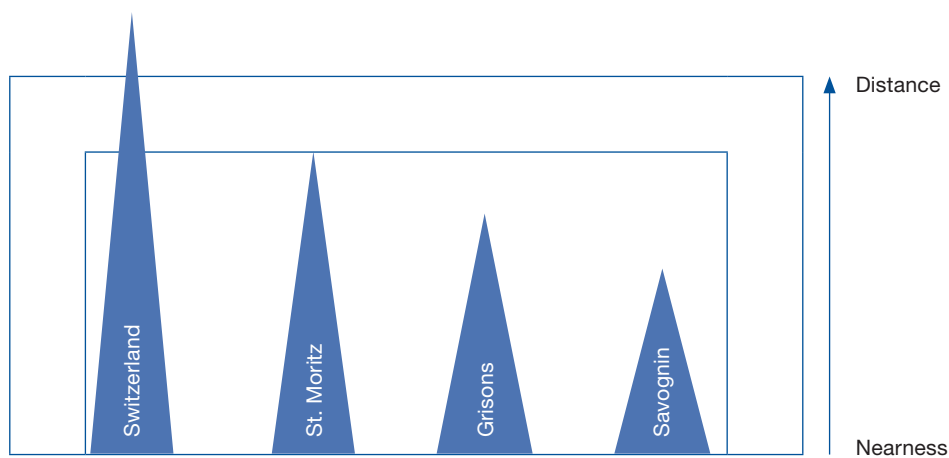
Blain et al. (2005)

A brand is a distinct set of features that communicates a recognizable set of features that differentiates one service provider from its competitors. But building a tourist destination’s brand comes with its own unique set of challenges, including the existence of numerous competitors

offering comparable products and services. Unfortunately, most mountain tourism destinations overestimate the uniqueness of their offerings, with many weaker brands lacking strong competitive advantages.

In some cases, it may be more efficient for weaker brands to position themselves within the umbrella of a stronger brand name. For example, the Grisons (or Graubünden) region in Switzerland has a less well-recognized brand than the country itself. In that case, it was more efficient for Grisons to leverage the country's international reputation by allowing the Swiss National Tourism Organisation to take the lead as brand leader.

Figure 5.2 **Brand hierarchy, Switzerland**



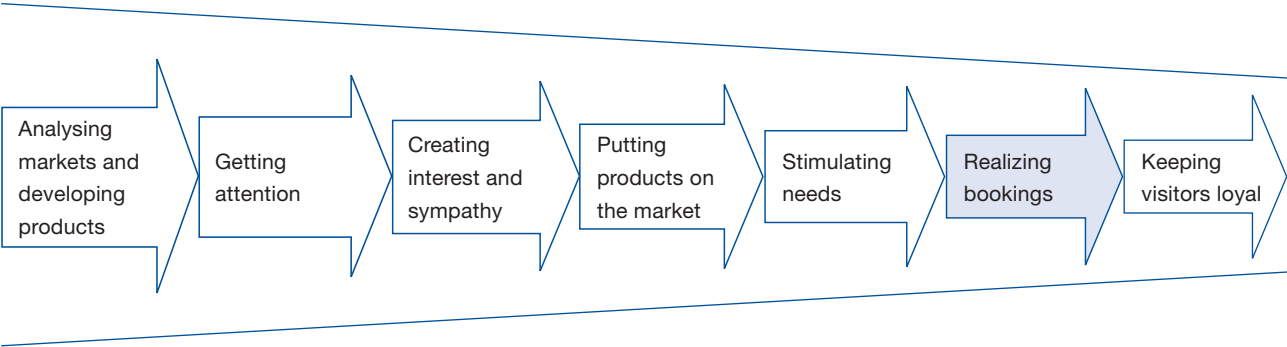
Source: in Keller (2014b), adaptation from Kappler (2004).

5.2 Capitalizing on information technology

The advent of the Internet and other information technologies has revolutionized the marketing sector. Technological innovations have created a new and much more efficient set of tools that significantly improve the marketing capabilities of Destination Management Organizations (DMOs). The Internet has significantly reduced the cost of distributing marketing materials to prospective consumers, while making it easier to customize content to fit the needs of individual consumers. Online and digital marketing content is also available to prospective clients 24/7, and is accessible from virtually anywhere on earth.

In addition to making marketing content more accessible to prospective clients, the Web has also given rise to social media and sharing platforms, allowing tourists to share and generate additional content. The proliferation of Internet-connected mobile devices, augmented reality apps, and location-based services has also altered the tourism landscape, allowing resorts to track visitors during their trip and analyse their behaviour. Geo-location apps can provide visitors with crucial information based on their current location and help during difficult and dangerous situations. Mobile devices allow tourists to share their experiences in real-time, stimulating further interest in mountain tourism.

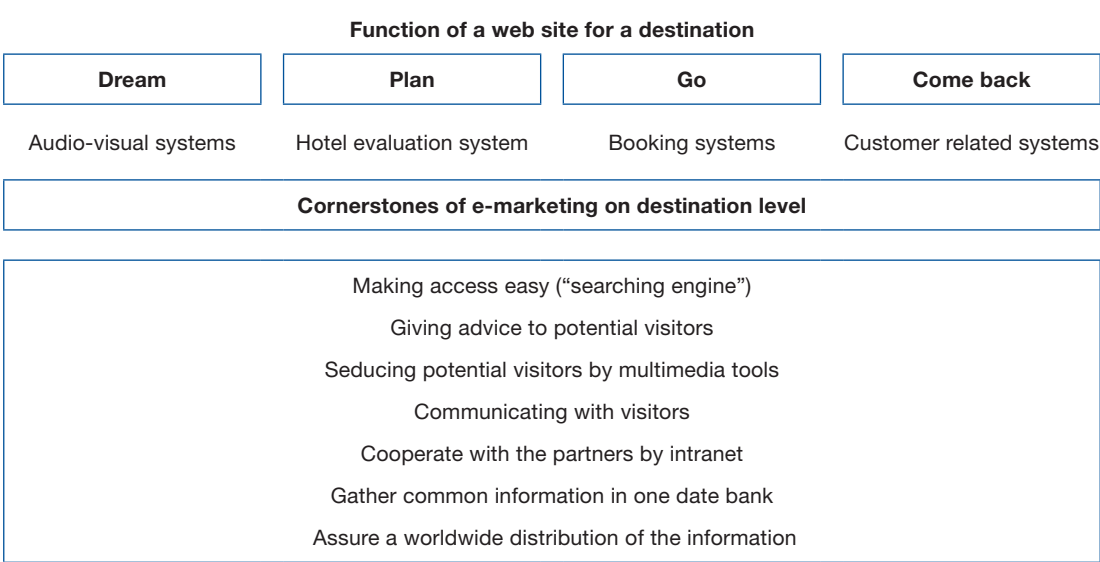
Figure 5.3 Digital lead and promotion funnel



Source: Michel Ferla, Vice-President Switzerland Tourism, 6th World Congress on Snow and Mountain Tourism, Ordino, Principality of Andorra, 13 April 2010.

Modern web technologies have allowed tourists to create their own bundles of tourism services, rather than being forced to choose from pre-selected options. They have also empowered tourists to engage in their own research when planning a trip. This can be particularly important for the mountain tourism industry, since many specialized mountain activities require additional information and guidance. Travel blogs and recommendation websites can be an excellent source of information for tourists about resorts, while also providing the resorts themselves with crucial feedback from their customers.

Figure 5.4 Schematic for a resort website



Source: Adapted from Ferla (2010), *Web-based promotional techniques: How can they create dreams and incite potential visitors to book?*

5.3 Repositioning summer and winter mountain tourism

There are many reasons to position or reposition mountain tourism in mature as well as in emerging destinations. Potential visitors are often not aware of the fascination of mountain areas. The image of summer stays in mountains is often perceived as boring and obsolete. Summer holidays in mountains are no longer “in” as evidenced by the stagnating flows of visitors in major mountain tourism areas. One of the most prestigious annual surveys about the preferences of German tourists shows a net decline in the number of potential visitors interested in visiting either lower or higher mountain regions. In the last two decades, the number of people intending to travel to beaches and islands in the Southern Hemisphere increased by 8% and 13% respectively, whereas those planning to travel to lower and higher mountain areas decreased by 6% and 8% respectively¹.

The image of winter sports tourism also has suffered. It is considered too expensive and has proven difficult to stop the declining numbers of skiers or maintain the skiing culture by handing down the tradition from generation to generation. Nevertheless, most of the investments in mountain tourism facilities are still spent on skiing facilities since their use continues to be considered more profitable.

Global warming affects the length of the winter season and counteracting those effects by installing artificial snowmaking technologies is costly. It also raises doubts about the future of winter tourism in general. Artificial snow on the slopes cannot replace the natural winter atmosphere. Only destinations with slopes located at high altitudes will have a skiing future, but the higher the altitude of a destination, the harsher the climate tends to be.

Summer tourism has been stagnating for years in major mountain regions. Positioning has not been easy since summer mountain tourism is either unpopular with today’s tourists or communication strategies have not been appropriately targeted. Nevertheless, beautiful landscapes, outdoor recreation, health, relaxation, peace and quiet, and tradition and authenticity, all classic features of mountain vacations, will increase in importance in the future.

While global warming is a threat to winter mountain tourism, it represents an opportunity for summer mountain tourism. Summers in the future will not only be warmer but also drier, a combination that will reduce the threat of inclement weather. Increased urbanization and ageing populations are also likely to expand the number of people interested in mountain tourism.

Unfortunately, declining demand has not stimulated tourism organizations to reposition themselves, although there are some exceptions. The local tourism office of Flaine (France), one of the first functional ski resorts built in France, began repositioning itself a couple of years ago by offering tourists access to sports facilities for free (see section 6.6). Meanwhile, the Austrian glamour and après-ski resort of Ischgl repositioned itself as the *nec plus ultra* of Alpine tourism by focusing only on the winter season (see section 5.6). The Allgäu region in southern Germany successfully established itself as a health destination, leveraging its Alpine landscapes and outdoor facilities, and its history as the origin of Dr. Kneipp and his curative water treatments (see section 5.7).

1 FUR (2011).

At the 7th World Congress of Snow and Mountain Tourism, the Director of Austria Tourism presented elements of a strategy to reposition summer mountain tourism based on the decline of summer tourism in Alpine countries.² Three years ago, Switzerland Tourism, the country's national tourism organization, launched a national initiative to re-invent summer tourism which was presented at the 8th World Congress of Snow and Mountain Tourism.³

In the latter case, a "Summer Report" and an "Inspiration Concept" were presented in cooperation with local and regional partners.⁴ Its objective is to boost summer mountain tourism by using multiple marketing management methods. New markets were identified with respect to travel seasons in potential markets of origin. For example, the Indian tourist season takes place during May and June.

New ideas for developing specific products were also introduced. Once such concept, "Making the Alps more feminine," was based on deemphasizing extreme and performance activities in favour of a focus on culture, shopping, wellness, organic food, "soft" adventure activities, and offers for singles. On the other hand, the "Weather experience" concept is centered on making "bad" weather conditions such as rain or fog an attractive experience.

5.4 Lessons learnt

- Interest in mountain tourism has declined in major source markets, making it necessary for resorts to reposition themselves;
- Mountain regions and resorts should develop unique experiences in order to differentiate themselves to potential visitors;
- Positioning and branding can help capture attention in the global tourism market;
- Organizations with the strongest brands must be responsible for leading communication efforts on behalf of the broader industry;
- Modern information technology can significantly aid marketing efforts by offering a round-the-clock online presence in the global market and reducing the costs involved in producing and distributing marketing materials;
- Mobile devices and apps can enhance the mountain experience while generating additional marketing material through social media platforms; and
- To revive interest in Alpine tourism, well-designed marketing campaigns must be developed in collaboration with national and regional tourism stakeholders.

5.5 Case studies

Because mountain resorts tend to have such similar offerings, differentiating themselves from their competitors is a challenge. One example of a successful positioning strategy can be seen in the Ischgl resort in Austria. Ischgl's goal was to distinguish itself from other Alpine resorts by developing a unique selling proposition. Instead of developing an image based on the traditional

² Stolba (2010).

³ Nydegger (2014).

⁴ Switzerland Tourism (2010).

romantic Alpine village, Ischgl chose to focus on its lifestyle, social, après-ski, and nightlife offerings in order to appeal to younger, trendier visitors. Its marketing strategy has succeeded in attracting high-end clientele looking for a different sort of mountain holiday, embodied by the resorts slogan “Relax. If you can...”

On the other hand, the Allgäu region in Germany adopted a communication strategy focusing on its reputation as a relaxing destination for visitors seeking a healthy, stress-free vacation involving outdoor activities. As more lucrative clients have moved toward more specialized resorts located at higher altitudes, Allgäu repositioned itself to take advantage of its diversified portfolio of natural and cultural attractions. The region positioned itself as the country’s leading feel-good and health destination featuring year-round offerings.

5.6 Beyond the stereotypes: the case of Ischgl, Tyrol, Austria

Ischgl is a successful high-end resort with a distinct positioning strategy. Its unique selling proposition is social life, lifestyle, nightlife, entertainment, and events. The strong brand image and successful implementation are unique in the field of mountain tourism. The performance of the resort is outstanding.

5.6.1 Basic conditions

Ischgl is a municipality in the Paznaun Valley in the Austrian state of Tyrol about 100 km from Innsbruck. Ischgl’s ski resort is situated in the Silvretta mountain chain and connected to the skiing facilities in Samnoun, a tax-free zone on the Swiss side of the mountain. In 2013, Ischgl celebrated the 50th anniversary of the opening of its first cable car, the Silvretta aerial tramway. The resort sits at an altitude of 1,377 m and its highest peak is at 2,872 m. Innsbruck is the closest airport, but the resort can also be reached by car from Germany, Italy, and Switzerland.



Ischgl, Austria has a unique market position.

Source: TVB Paznaun – Ischgl.

Ischgl offers 11,500 beds, generating about 1.3 million overnight stays during the winter with an outstanding occupancy rate of 100% over 129 days. Guests spend an average of EUR 155 a day on accommodations, the highest in Austria, thanks in part to the fact that most of the four and five star hotels in the country are located in the region (36 out of 48). The average stay is five nights and 50% of the guests are German, followed by Dutch 8%, Swiss 7% and Russians 5% (2013/2014).

Ischgl offers a well-equipped ski area with an international reputation. 44 lifts provide access to 238 km of slopes satisfying the needs of all skier categories, from beginner to expert. There are many black-labelled slopes for the latter category, including the famous 14a slope, the steepest in the “Silvretta Arena”. The resort also offers long slopes such as the one that leads from the Greitspitz at the top to the ski area to the Valley Station situated at 1,400 m with a total length of 11 km.

Freeriders can enjoy off-piste skiing on terrain that is as large as of any other large Alpine resort. There are two snow parks and one large park for snowboarders.



Europe's largest snowboard park.

Source: TVB Paznaun – Ischgl.

The cable car company “Silvretta AG” is very profitable. Its earnings of about EUR 68.3 million (2014) are of the highest among all cable car companies of Austria, while the Samnaun cable cars on the Swiss side earns around EUR 21.7 million. All these lifts transport 93,000 persons per hour and made 27.8 million trips in the 2013/2014 season. Most of Ischgl's shareholders are local. Silvretta AG has not paid any dividends since opening operational, with profits being reinvested into the lift park.

5.6.2 Positioning and branding

Why is Ischgl so special? Its market position is due to its unique selling proposition as a lifestyle, social life, après-ski, and nightlife resort. Ischgl is often called the Ibiza of the Alps. The Ischgl brand is based on a modern, aggressive image with a strong marketing message: “Relax. If you can...”

Figure 5.5 The Ischgl brand



Source: TVB Paznaun – Ischgl.

The demographics of Ischgl's clientele correspond to its position and branding. Ischgl attracts singles and couples in their forties and fifties with strong purchasing power who are more interested

in the resort's lifestyle offerings than belonging to a ski community. While it does have an attractive ski area, it is the après-ski that is the core of its brand image. "Ischgl, where the nights are longer than the days" is an accurate representation of its marketing strategy. The area defines itself by what it is not and emphasizes its differences with other ski destination.

Indeed, Ischgl makes no claims of being a romantic village, a quiet Alpine resort, a family destination, or a budget destination. Its marketing strategy reflects its competitive advantage in providing lifestyle, luxury, and entertainment offerings in the heart of the Alps, rather than focusing on physical and mental health. Its philosophy is centered on the goals of amusement, inspiration, enthusiasm, and living experiences.

5.6.3 Après-ski, nightlife and events



Après-ski and nightlife as assets.

Source: TVB Paznau – Ischgl.

Many areas specialise in skiing and other sports with only limited après-ski and nightlife offerings. Ischgl does the opposite. Although backed by an outstanding ski area, it is the leader in providing a wide variety of bars, pubs, restaurants, nightclubs, and other nightlife facilities.

Ischgl's promotes itself as a region offering the type of high-end nightlife experience one normally only finds in major cities. Après-ski

starts in the resort at breakfast and extends well into the evening, where the areas many Alpine lodges and restaurants offer a congenial, friendly atmosphere.

In addition to the nightlife, Ischgl organizes events at the beginning and end of the season and during Easter that help maintain visitor flows during periods of low demand. It also generates significant media attention, fostering its image as an extraordinary winter destination. Its annual "Top of the Mountain Concerts" are popular events for many superstars, bringing in artists such as Elton John, Tina Turner, Diana Ross, Jon Bon Jovi, Bob Dylan, Sting, Alanis Morissette, Pink, Anastacia, Mariah Carey, Deep Purple, and Robbie Williams. These events typically bring tens of thousands of concertgoers to a stage built in the middle of the skiing area.



Alpine concert in the skiing area.

Source: TVB Paznau – Ischgl.

5.6.4 Conclusions

Ischgl clearly demonstrates the importance of having a long-term strategy that supports clear positioning by addressing a well-defined target market and establishing a brand that conveys the values that market seeks. Despite the fact that Ischgl offers a superb skiing area, it is its sophisticated après-ski culture, luxury shopping, fine gastronomy, and upmarket hotels that attract visitors. Establishing that image took years and incredible effort that must be maintained through additional investments in order to fulfil visitors' expectations. Nonetheless, this investment has paid off, as Ischgl has become an unrivalled destination enjoying high occupancy rates, high spending per visitor, and sustained demand.

5.7 The case of Allgäu, Bavaria, Germany

The Allgäu is an Alpine region with a great diversity of all-season natural and cultural tourist attractions. Allgäu Ltd., the company entrusted with promoting the region, has successfully positioned it as Germany's leading feel-good and health destination with a focus on Alpine wellness and health tourism. This strategy is based on what potential visitors expect from an idyllic and peaceful landscape with many outdoor recreation facilities. The region's reputation has grown over the years thanks to these brand-building efforts. Allgäu is an example of how a region can boost tourism despite a difficult competitive situation.

5.7.1 Basic facts

Allgäu is a predominantly rural area located at the foothills of the Northern Alps in Germany, situated between Lake Constance and the Lech River. It consists of three zones, the "Alpenvorland", the Allgäuer pre-Alps, and the Allgäuer Alps. The triangle formed by the nearby cities of Munich, Stuttgart, and Zurich are a major source of demand for the region, but it also faces strong competition from large Austrian and Swiss Alpine resorts located nearby.

Figure 5.6 Location of Allgäu in southern Germany

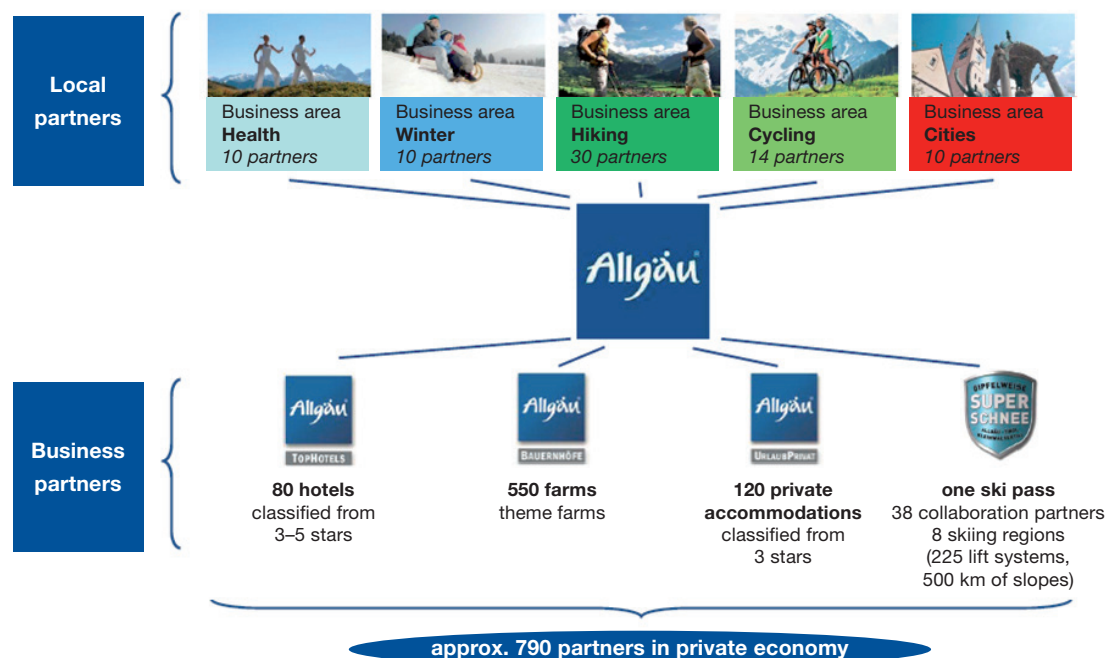


Source: Allgäu Marketing Ltd.

The majority of Allgäu spreads over the federal state of Bavaria, a small part in the west falls within the federal state of Baden-Württemberg. Its population of about 650,000 people speaks a Germanic dialect closer to Swiss German than Bavarian German. Tourism is an important pillar of the economy, since the region receives about three million visitors per year and records 17 million overnight stays per year. It offers 130,000 beds, of which 70% are in commercial operation. In the case of the Bavarian Allgäu region, tourism generates EUR 3 billion in economic value.

Allgäu Marketing Ltd was founded in 2011 to promote business and tourism in the region and build the area's brand. It acts as a liaison and coordinator between different tourism offices, municipal governments, and other service providers in the region. For example, Allgäu will package different offerings from multiple providers around a product theme, such as hiking, health, or winter tourism, fostering collaboration between organizations in different sectors.

Figure 5.7 Allgäu Ltd. organises cooperation between different providers



Source: Joachim (2014) *Alpine wellness and health as four season attraction, the case of Allgäu*.

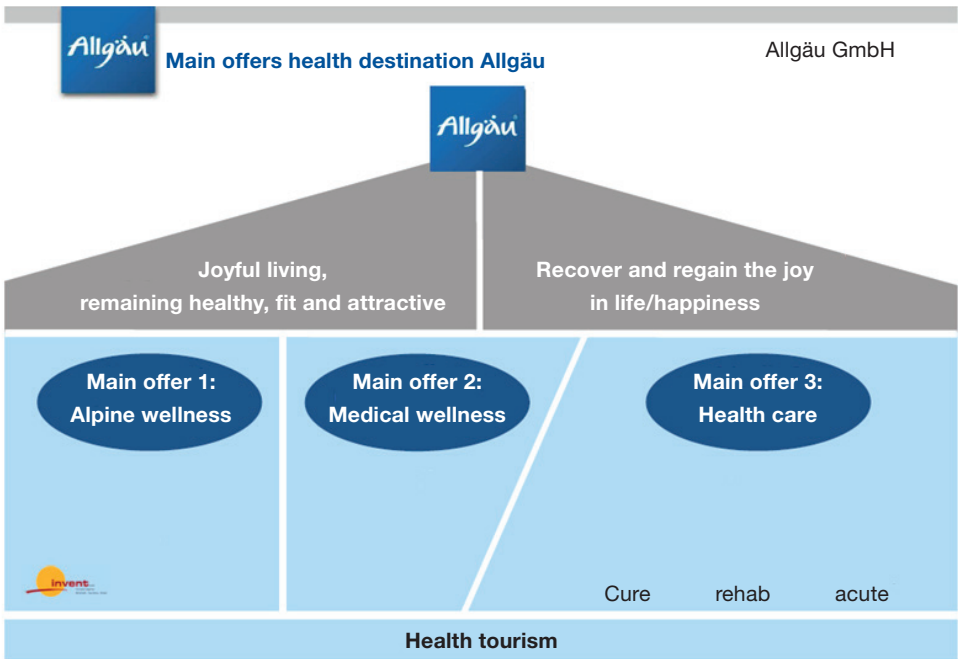
5.7.2 Positioning and branding

As a pre-Alpine, rural mountain region, Allgäu shares the same profile as many other mountain tourism destinations, creating a challenge for the company to differentiate it from other regions. To overcome this challenge, it sought to highlight the region's unique local while identifying both the latent and explicit needs of its target market.

The company devised a unique selling proposition capitalizing on the fact that the region was home to Sebastian Kneipp, one of the founders of the naturopathic movement and developer of the "Kneipp Cure", a form of hydrotherapy that claims to have therapeutic benefits. This complemented customer surveys that identified "Alpine wellness", a type of tourism dedicated to the promotion of health and wellbeing, as a key demand for the region's target market.

The company positioned the region as Germany’s leading year-round health destination by focusing on images of healthy living, fitness, and stress relief, while promoting the region’s primary recreational activities such as hiking, cycling, and skiing.

Figure 5.8 **Positioning as “Germany’s feel-good and health destination”**



Source: Joachim (2014) *Alpine wellness and health as four season attraction, the case of Allgäu*.

5.7.3 **Conclusions**



Neuschwanstein Castle, one of the main international attractions in the Allgäu Region.

Source: Allgäu Marketing Ltd.

The strong brand leadership of Allgäu Marketing Ltd. led to good results, with visitor numbers and overnight figures growing consistently over the last several years. By conducting an inventory of the region’s assets and surveying the target market, the company was able to successfully apply an umbrella brand strategy featuring proactive and centralized brand management. By identifying inherent weaknesses (such as the presence of strong, nearby competitors with similar profiles) and unique strengths, the

company was able to sharpen the region’s images by developing a strong focus on health and wellness offerings. This combination of tourism promotion and location marketing not only helped shape perceptions of the region’s tourism offerings, it also improved the overall image of Allgäu. By acting as both mediator and supervisor, Allgäu Marketing Ltd has successfully managed the coordination and cooperation between private and public stakeholders over a large geographic area. In comparison with other, similar regions, Allgäu has outperformed its competitors.

Chapter 6

Key success factors of mountain resorts

There is tough competition among mountain resorts that offer similar products. Traditional multi-optional and modern functional mountain resorts have both advantages and disadvantages. The newest generation of mountain resorts has a hybrid character since they integrate the best of both basic types of resorts in order to offer four-season mountain tourism. The most important success factors for mountain resort capacity-building remain the abundance of snowfall, the suitability of the terrain for sports activities, and architecturally appealing infrastructure.

6.1 The characteristics of destinations

While tourism demand is global and tourist flows are flexible, tourism supply and the necessary infrastructure are always place-bound. Destinations are points of attraction anchored in the mindset of potential visitors. Their travel choice is based largely on the destination's image that represents the sum of beliefs, ideas, impressions and perceptions of potential visitors regarding a certain place. Points of attraction include geographical aspects such as a particularly spectacular mountain terrain. In general, potential visitors first choose the destination and later on, facilities for accommodation and leisure activities. For this reason, the primary competition is between destinations. Once the destination has been chosen, there is secondary competition between local service providers.



Destination as first choice: St. Moritz, Switzerland.
First competition among mountain destinations.
Source: ENGADIN St. Moritz swiss-image.ch, Hotel Suvretta.



Visitor realized supply as second choice:
Hotel Suvretta House, St. Moritz, Switzerland.

The competition between destinations forces the individual mountain resorts to focus on differentiation strategies. Such strategies are based on the unique selling propositions of the resort, whether these are natural, cultural or activities-oriented, or a combination of all three.

If a resort is unique, it can create a kind of quasi-monopolistic market position. Differentiation strategies are important for both emerging and mature mountain resorts.

Coordination and cooperation among companies is necessary in order for them to benefit from the advantages of a given destination. If these processes are moderated efficiently, they can lead to economies of scale and scope, particularly in the field of product development and promotion among companies of the same industry or among different companies of the resort. Cooperation under the umbrella of the destination contributes to overcoming the handicaps of small and medium sized companies and gaining market power.

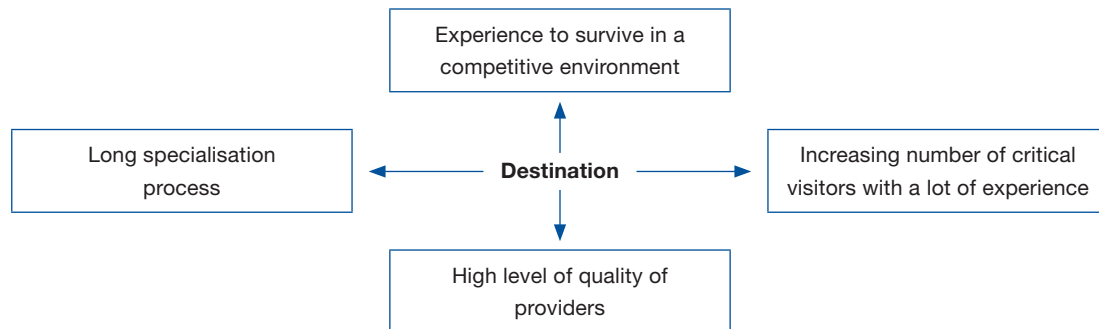
Figure 6.1 **Need for cooperation among the companies operating under the umbrella of the destination**

Destinations Industries	Country	Place	Region
Transportation			
Hotels			
Restaurants			
Cable cars			
Sports facilities			
Etc.	↓	↓	↓

Source: Keller, P. (2002), *Compétition, innovation et coopération dans le domaine du tourisme*, *La vie économique*, 2002, vol 6. p. 4–9.

If outstanding attractions exist, significant investments have been made over the years and the market positioning is strong, mountain destinations realize cluster advantages for companies operating under the umbrella of the destination. The long specialization process makes destinations unique and difficult to copy. Companies attempted to survive in a local environment where competitors often offer similar services that create competitive pressure to improve performance. Companies in established resorts have the advantage of catering to guests with a great deal of travel experience and corresponding expectations. A well-developed, diversified and specialized supporting economy grants companies the possibility to purchase a wide range of quality goods and services that meet the high standards of discriminating visitors. All these characteristics of a resort are known as *cluster advantages*, which make the companies operating under the umbrella of the destination more competitive.

Figure 6.2 Cluster advantages make mountain resorts competitive



Source: Adaptation of Porter's Diamond Model, taken from Porter, M.E., *The Competitive Advantages of Nations*, Macmillan, London (1990).

Most of the traditional mountain resorts were developed by independent innovators who took advantage of the market forces. They soon realized that attracting visitors and turning them into loyal clients required collaborative efforts. These mutual efforts were outsourced to tourism organizations that had the duty of promoting and developing the destination. From the governance point of view, the cooperation under the umbrella of the destination is defined by tasks that individual companies cannot fulfill on their own due to a lack of size and budget, differing opinions in a competitive environment and difficulties in developing a joint, long term vision. The development of the resorts remains more or less in the hands of the service providers whereas local authorities often play the role of mediators and enablers when it comes to major development and promotion problems.

Resorts built *ex nihilo* such as the French ski resorts, many North American resorts and resorts in emerging and developing countries, are governed by their owners. These resorts offer year-round mountain experiences with standardized and often all-inclusive products. Real estate activities are often the source of financing for investments in their equipment and maintenance of the existing facilities. They develop condominiums, holiday home projects or hotel facilities. They are later sold individually and establish a high stake of second homes in a destination or, as in the case of hotel projects, are rented out to hotel chains. However, these resorts also operate on territories of municipalities and regions and therefore must coordinate their investments and operations with local, regional and national authorities.

6.2 Different types of mountain resorts

Traditional mountain resorts offer potential visitors a large spectrum of different forms of accommodation, catering and sports facilities in the summer and winter. Some were originally created as summer resorts, mostly in the mountain forelands and lakes as in the case of Montreux or Interlaken in Switzerland. With the advent of winter sports in the last quarter of the 19th century, increasingly efficient means of transport allowed the construction of resorts in higher Alpine areas. The lucrative ski business already existing and gave summer resorts in the higher mountains an opportunity to become a two-season destination.



Traditional houses in the mountain village Samedan in Engadin St. Moritz, Switzerland.

Source: Allgäu Marketing Ltd.

Opening skiing areas was related to high investments for the resorts, since many of them were situated between 1,000 and 1,200 m above sea level. The necessity for long cable car connections with the skiing area, often with aerial tramways, made the transformation from a summer resort to winter resort difficult and cost-intensive. Skiers in these resorts did not only find themselves needing a great deal of time to reach the skiing area, but were also unable to ski back down to the valley at the end of the

day to reach their lodgings or parking place, particularly in the spring. In spite of these natural obstacles, traditional mountain resorts have the advantage of diversification. They offer a mountain experience for many types of guests who can plan their holidays by choosing from a range of provided services to suit their own tastes. The multi-optional character of traditional resorts is an insurance against a strong fluctuation of demand due to recession or other crises.

In order to avoid the high costs involved in transforming existing summer destinations into dual-season resorts, the French government initiated its “Plan de neige” outlining the building of purely functional resorts in 1964. They subsequently began to offer skiers from both domestic and international markets uncomplicated winter holiday experiences with the guarantee of snow at high altitudes. One service which proved to be very attractive to visitors was the provision of transport to their accommodations and ski lift stations once they had parked their cars in dedicated underground garages.

In short, they offered a one-stop provision of all the services needed for worry-free ski holidays that included ski rental facilities and skiing schools. The resort financing was assured by the selling of secondary homes. La Plagne is such a resort, once designed to reflect the urban origins of its guests while adapting to the wildness of its mountain environment. Such resorts were in general only open during the winter season and not in the summer, as the transformation of high-altitude ski resorts into summer resorts was complicated and costly.

The French ski resorts which functionalized the supply for a specific segment of visitors and allowed one hand or company to manage and market the resort became a worldwide model for standardizing the supply of tourism related goods and services in specific places and institutionalizing central governance. In later years, the concept was used for building North American ski resorts, and currently for the construction of new ski resorts in emerging economies all over the world.¹

The problems created by new and often contradictory demand trends on the one hand and economic necessity on the other may be relativized by blending the advantages of traditional and functional mountain resorts and effectively overcoming the weaknesses of former models. Functional ski resorts react to the reality of increasingly shorter winters due to warming temperatures and wish to add a summer season. Potential visitors to developed mountain areas are attracted to the

¹ Keller (2014b).

landscape, climate, flora and fauna, and the remoteness of the destination and in many cases the amenities and services provided in cities. In some resorts, they enjoy the comfort of privately owning property. Traditional mountain resorts are at risk of becoming obsolete, but have no funds to renovate their properties.

In the case of smaller mountain resorts, cooperation is indispensable. Joint efforts and collaboration between small destinations and points of attraction establish a strong regional brand, sharing the costs for the development and promotion of products by using economies of scale.

With all these factors in mind, new types of mountain resorts are being planned and built.

In the case of functional ski resorts, one has to state that transformation from a winter to a summer resort is often difficult since the preferences of summer visitors are different from those of the winter season. Their profile usually shows older guests who prefer lower altitudes. They tend to opt rather for a cozy and authentic Alpine atmosphere instead of an urban and artificial environment. Opening the resort in summer is a risky affair for cable car companies and accommodation providers as an adequate summer tourism offer still has to be developed. The lack of such offer results in low occupancy rates during the green season.



View at the second stage, "Aime 2000" of the functional French ski resort La Plagne built from 1968–1969.

Source: La Plagne, Elina Sirparanta.

Some of the most successful resorts are "cities over the clouds", offering an urban atmosphere at the centre of the resort while preserving green surroundings. This is the case with most of the bigger mountain resorts such as Chamonix, France. They have reached a size that offers many natural and cultural attractions and all kinds of outdoor and indoor leisure sports facilities. These resorts offer cultural events and nightlife. For them it is common to be operational throughout the year.

Other cases combine new developments with traditionally grown mountain villages. New resort complexes are being built as extensions to the historical core of traditional destinations and contribute to modernizing old traditional mountain resorts. An outstanding case is Andermatt in Switzerland, which experienced decreasing visitor numbers despite its long tradition as winter resort. Between 2007 and 2012, overnight stays dropped by almost 20% with the months of April, May and October, November having the least demand. The new strategy aimed at turning Andermatt from a mountain destination with a strong winter and summer season into a year-round holiday destination. Egyptian entrepreneur Samih Sawiris and his Orascom Development Holding AG were willing to invest in a village extension project called Tourism Resort Andermatt Swiss Alps and is currently being developed in stages over the next years. The Swiss Federal state supported the building of this resort by ceding the land for a symbolic price and by giving free loans for building the lifts in the framework of its regional policy. Upon completion, the new extension will almost double the built area of the municipality adding six 4- and 5-star hotels, about 500 apartments in 42 buildings, 25 chalets, convention facilities, a swimming facility and an 18-hole golf course. Furthermore, the Andermatt and Sedrun ski areas are being merged into the attractive SkiArena Andermatt-Sedrun. Architects and planners took great efforts to find a

sustainable way of development that reflects local architectural styles in the single buildings to ensure a careful and proper integration with the historic buildings.

Figure 6.3 **Masterplan of new tourism resort Andermatt Swiss Alps as an example of a carefully executed extension of a traditional mountain resort**



Source: Andermatt Swiss Alps AG.

6.3 Planning principles for the building of mountain resort capacities

The most prominent mountain resorts are all located in beautiful surroundings, harmoniously nestled in the proximity of mountain peaks that offer breathtaking panoramas. While it is important to enable people to access the mountain peaks so that they can experience the fascination of the mountains, it is also necessary to maintain mountain farming activities which stabilize and solidify the soil and contribute to the appeal of mountain landscapes. Green mountains without snow have started play an increasingly important role since the summer season in the mountains is becoming warmer and longer whereas the skiing season was reduced in length and consequently experienced a loss in earnings.

Global warming is becoming a critical issue for mountain resorts. For a winter season to be profitable, a reliably consistent snow cover over an average of 120 days is essential. There is a correlation between altitude and snow cover, albeit that snow's quality depends on the temperature and humidity of the air which contribute to the local climate, which is in turn influenced by the morphology of the given mountain range. In the Western Alps, the minimum altitude for natural snow is around 1,500 m. In the Eastern Alps, the altitude at which snow may be expected to meet the requirements is lower. In order to avoid operational problems due to the lack of snow, it is necessary to analyse a given region's documented history of snowfall. In these terms, higher altitudes represent an advantage, but their commercial exploitation is linked to significant obstacles including the dangers inherent in at times unpredictably harsh weather conditions and

the potentiality of serious physiological responses to high altitude in the form of cardiovascular problems, among others.

In terms of credible and viable criteria for the likelihood of a substantial snow cover, neither the snowfall records in the region of the last couple of years nor the opinion of local residents are conclusive. Of much greater significance in this context is the directional orientation of the mountainside: a mountainside of a north to north west orientation is the most conducive to snow conditions allowing for skiing activity in the case of the Alps. In the absence of good conditions for snowfall, artificial snowmaking equipment has proven useful and is already being widely applied. However, this method of providing sufficient snow cover has two major disadvantages. First, it needs low temperatures to make the technology applicable and second, the installation of the necessary infrastructure and the operation result in high costs for the ski resort operators. In positive terms, a solid foundation of artificially produced snow at the beginning of the season represents at least a fairly sustainable solution.

Table 6.1 **Criteria for the successful Alpine type skiing areas**

- Altitude: 1,500 m to 3,500 m above sea level
- Latitude: Continental climate from > 15 $< +5$ degree
- Mountains facing North West with frequent snow falls
- Slopes in the form of an U – shaped curve
- Gentle slopes near accommodation
- Wide selection of different slopes for all categories of skiers
- Preservation of vegetation
- Water resources with sufficient potential for snow production

Source: Faure (2013), *Key Factors for Creating a Ski Resort*.

Apart from snow, the overall quality of the given mountain area is the most important variable for developing ski resorts. The size, topography, homogeneity, and the length of slopes of potential skiing areas are all critical. The idea geometric shape for mountains is an inverted cone, i.e., a V-shaped skiing area resembling an amphitheatre. As for the appeal of the area to skiers, a skiing area must offer a variety of slopes with varying degrees of difficulty in order to attract the greatest number of skiers across the spectrum of skill levels.

The mountain tourism market strongly depends on the domestic and nearby markets. This is particularly the case for ski resorts. In the Alps, many ski areas were built around existing summer holiday destinations and converted them into ski resorts. They could count on the local population for whom skiing became the major winter outdoor recreation activity. The proximity of the source market is particularly important for the cable car companies that depend on a critical number of passengers to run their businesses profitably. In Switzerland, two thirds of the visitor flows of the ski resorts are excursionists who reach the resorts in one or two hours. As for skiers coming from a more distant location, it is a rule of thumb that they should be able to reach a mountain resort by no more than a 3-hour flight.² The geographical location and therefore the accessibility by car,

² Faure (2013).

train or plane matters from the demand side. The biggest and also most popular mountain and ski resorts are easily accessible by plane and car. Again, Chamonix lies less than one hour away from the airport of Geneva by car.

In short, mountain destinations and particularly ski resorts should be organized and built in a convenient way for visitors. An excellent example is the prestigious ski resort of Courchevel where the ski-in ski-out concept that allows starting and ending the day on skis at the accommodation’s doorstep was successfully realized. Where such systems are not being implemented, it is important to organize public transport from the different kinds of accommodations to the departure station of the cable car. In the family resort of Serfaus (Tyrol, Austria), an underground railway links its hotels located in the village with the cable car station. Further, car parks should be built on the outskirts of the settlement.

Table 6.2 **The convenience of the mountain resort matters**

- Combining efficiency of ski area and intelligent town planning
- Ski in/ski out between 50 m and 80 m to access the slopes from ones doorstep
- Easy transport within the resort and cohabitation of pedestrians and skiers
- Car parks on the outskirts of the resort

Source: Faure (2013), Key Factors for Creating a Ski Resort.

A warm atmosphere and a hearty welcome are particularly important for mountain resorts where the climate and weather are often harsh and unpredictable. Architecture and design therefore matter and should be the physical reflection of the open arms policy which along with the provision of personalized rendered services which should characterize the entire site. Mountain resorts’ built environment should merge modern with traditional elements in existing resorts. As an example, the chalet style is important for the Alps. In new resorts, the architecture of the infrastructure should make use of traditional local elements and materials.



Spectacular architecture reflecting the local environment in the case of Top of Tyrol viewing platform by LAAC Architects.
Source: Stubaier Gletscher/ LAAC Architekten.



The Hotel 1301 Inn in Piancavallo, Italy with spectacular design applying local materials.
Source: ELASTICOSPA+3, Jacopo Riccesi.



The new Monte Rosa Hut in Zermatt, Switzerland as an example of contemporary architecture reflecting its surroundings and integrating in the mountain environment.
Source: ETH-Studio Monte Rosa/Tonatiuh Ambrosetti.

6.4 Introduction to the cases

The demand for mountain and ski tourism is increasingly concentrated on the biggest resorts at premier destinations that can offer more than smaller ones. This trend puts the future of small and medium-sized mountain resorts in question. In Austria, one of the leading mountain tourism countries, about 80% of the resorts are in the latter category, but operate in a profitable way by using differentiation and segmentation strategies, and offering year-round facilities and activities. In the end, the crucial factor for the success of the smaller Austrian resorts is the iron will of all the actors involved to remain viable in the field of tourism by improving all the critical areas, whether it be overall comfort, quality of service, and degree of convenience. The Austrian case illustrates successful strategies of survival in a competitive environment and stagnating market.

The second case shows the difficulties to add a summer season in existing ski resorts. The selected example of Flaine is one of the most innovative French ski resorts. Among the many innovations implemented at the resort, the introduction of artificial snowmaking in 1973 as the first ski area in the world is exceptionally noteworthy. Furthermore, it was in Flaine where the first non-polluting, gas-driven central heating system was installed. Moreover, the resort responded to the shrinking summer demand by offering visitors spending a night at the resort free use of all the sports facilities, an approach called “Flaine for Free”. This initiative proved very successful, and the resort continues to stimulate demand due to this strategy, with higher occupancy rates during the summer season.

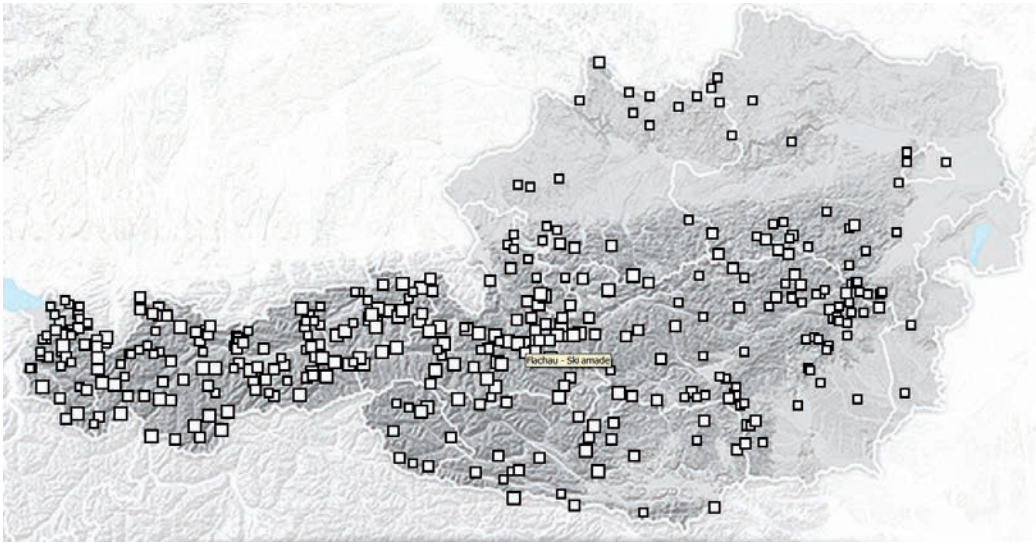
6.5 The success of small and medium-sized mountain resorts in Austria³

Most of the Austrian mountain resorts are not large and cannot compete with such resorts as Kitzbühel or St. Anton. Nonetheless, they remain viable by applying differentiation and specialization strategies and by monitoring and achieving tourism growth through the provision of thoughtfully and carefully tailored facilities to the guests who gratefully take up these offers in spite of the aforementioned famous resorts.

Globally seen, Austria is one of the leading destinations when it comes to mountain tourism. Visitors can choose between more than 350 different mountain resorts – an impressive figure for a relatively small country like Austria.

3 Hinteregger (2013).

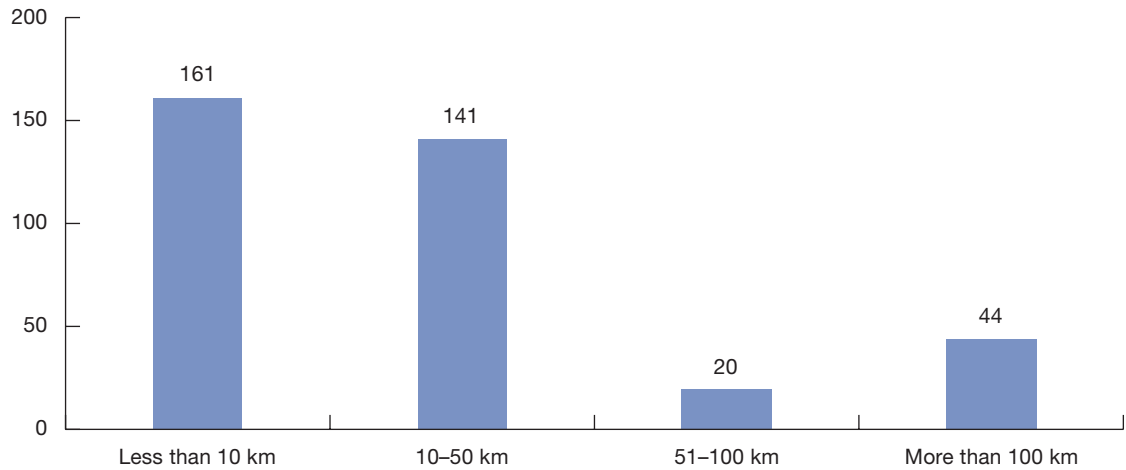
Figure 6.4 **Distribution of the 371 ski resorts around Austria**



Source : Adapted from www.bergfex.at.

In total, the ropeway companies in Austrian mountain resorts operate more than 3,000 vertical transportation facilities, manage approximately 23,000 ha of slopes, generate around 50.8 million skier days annually and achieve a winter revenues of EUR 1.2 billion (season 2013/2014).

Figure 6.5 **Size of Austrian skiing areas (by total length of slopes, 2014)**



Source: Hinteregger (2013), adapted from Austrian Cable Car Association.

6.5.1 Strategies of small and medium-sized mountain resorts

Basically, all different kinds of mountain resorts exist in Austria – from large global players (such as St. Anton, Kitzbühel or Lech) to small mountain resorts with only a few vertical transportation facilities catering mainly to local guests. The majority of the Austrian mountain resorts (more than 80%) have less than 50 km of slopes and are therefore considered to be small to medium-sized resorts.

In order to increase revenues outside the main winter season and to make the mountain resort an attractive, year-round destination, many cable car companies have recently invested in building summer attractions. To motivate people to come to mountain resorts in the summer time, facilities like flying foxes, tree-top paths, toboggan runs, mountain bike parks, high rope courses, theme paths, viewing platforms and nature playgrounds for children have been developed in close proximity to the mountain station of the cable car.



Toboggan run at the adventure mountain Rittisberg in the Schladming-Dachstein Holiday Region, Austria.

Source: Erlebnis Rittisberg HP Steiner.



Flying fox at the adventure mountain Rittisberg in the Schladming-Dachstein Holiday Region, Austria.

Source: Erlebnis Rittisberg HP Steiner.



Tree-top path at Eurothermen Resort Bad Schallerbach, Austria.

Source: www.baumkronenweg.at.



The Mountain-Bike Park in Wagrain-Kleinarl, Austria.

Source: Bikepark Wagrain/Voitl.



Spectacular views and a thrilling experience – Suspension bridge at Schladming-Dachstein Holiday Region, Austria.

Source: Tourismusverband Ramsau am Dachstein.

To differentiate from competitors it is necessary to define a clear and distinct positioning as well as a powerful brand strategy. Especially for smaller size mountain resorts in a competitive environment, it is essential to focus on a certain target group (e.g., families, snowboarders, cross-country skiers, one-day visitors from nearby cities, individual travellers looking for a retreat, etc.).

A crucial success factor for mountain resorts is well-balanced development in the different areas – from slope capacity, vertical transportation and accommodation facilities to parking, gastronomy

and general transportation. Overcrowded slopes, long waiting lines in front of lifts and chaotic parking have negative impact on visitors' satisfaction.

When thinking about developing a new mountain resort, so called "greenfield developments", should be taken into consideration, as it can be an important factor for achieving sufficient demand. The more people who live within 60 minutes from the mountain resort, the higher the chances to create substantial demand of one-day visitors.

The segment of day visitors can have a positive effect on the investment plan as it allows shifting the development of accommodation capacity to a later stage if sufficient demand from that target group can be generated. Furthermore, preferences of the local population regarding their leisure time activities need to be analyzed during the planning stage in order to develop appropriate facilities and to offer appropriate activities.

The fact that events can act as a trigger to visit a certain destination results on one hand in a variety of musical, cultural, culinary or sports events offered by many destinations but it also supports the process of defining a clear positioning of the destination and creates demand outside the high season.

The behavioral patterns of travellers have changed over the last decades. While 20 to 30 years ago it was very common to visit the same destination year after year, nowadays tourists are much more flexible when it comes to choosing their holiday destination. As a consequence, destinations have to work hard to convince travellers to revisit a certain destination. One common practice consists in the steady development of new facilities and attractions, ideally on an annual or biannual basis, as tourists love innovations.

Besides the already mentioned development of summer attractions, it is also important to diversify the product portfolio during the winter season and not only focus on skiing. This is especially important as in some countries the number of active skiers is decreasing, while in other countries skiing is not yet a widespread leisure activity in society. In both cases, it is crucial that alternative winter products and facilities are offered (e.g., sledging, tubing, ice skating, etc.).



Sledging as an alternative winter offer in the Klostervally, Vorarlberg (Austria).

Source: Alpenregion Bludenz Tourismus GmbH, Dietmar Walser.



Tubing slopes in the Kreischberg ski resort in Austria complement the offer of winter activities.

Source: Kreischberg/Murau.



The Olympia region Seefeld, Austria, offers ice skating among others to diversify the winter product portfolio.

Source: Olympiaregion Seefeld.

Another important success factor for any mountain resort (regardless of its size) is professional marketing. While large mountain resorts might use all available marketing tools and channels, smaller ones need to focus on e-marketing (via website, newsletters, social media, etc.). Critically

important is the existence of a marketing body in the destination (e.g., a DMO – Destination Management Organization) with skilled marketing specialists. In many countries, the marketing for a tourism destination is financed by the collection of a special tourism tax. Furthermore, the strategy of cooperation between small adjacent mountain resorts in terms of marketing and brand development under the umbrella brand of a valley or region is common and allows for generating economy of scales through joined marketing budgets.

6.5.2 Success stories: small and medium-sized mountain resorts in Austria

The mountain resort Turracher Höhe is situated in southern Austria. It has 38 km of slopes, 13 lifts and approximately 3,400 beds in different accommodation facilities. Between 2003 and 2012 the number of overnight stays in the winter season increased from 206,000 to 224,000 (compound annual growth rate: + 0,9%) while the number of overnights in the summer season increased annually by 2,4% (from 105,000 to 131,000).

The most important success factors of Turracher Höhe:

- Development of various summer attractions (e.g., toboggan run, children adventure land, theme paths);
- One of the most successful and innovative Austrian hotels (acting as a flagship for tourism development in the destination);
- Innovative tourism product development and high service quality orientation (e.g., introducing a so-called “slope butler” offering free drinks on the slopes); and
- Strong cooperation between the different touristic stakeholders (public and private).

Figure 6.6 Locations of Turracher Höhe, Kreischberg and Leogang in Austria



Source: Google Maps, OpenStreetMap contributors.



FIS Freestyle Ski and Snowboard World Championships in Kreischberg Ski Resort 2015.

Source: Kreischberg.

The mountain resort **Kreischberg** is situated in the Austrian province of Styria. It has 40 km of slopes, 13 lifts and approximately 2,300 beds in different accommodation facilities. Between 2003 and 2013 the number of overnights in the winter season increased from 116,000 to 174,000 (compound annual growth rate: + 4.1%) while the number of overnights in the summer season increased annually by 5.4% (from 63,000 to 106,000).

The most important success factors of Kreischberg:

- Strong focus on one specific target group: snowboarders;
- Europe's biggest half pipe and a large snowboard fun park;
- Snowboard tournaments including the World Championships in 2003 and FIS Freestyle Ski and Snowboard World Championships in 2015; and
- Several annual events and a very attractive après-ski and nightlife.



A strong focus on mountain bikers with the creation of one of Europe's most attractive bike parks is part of the success of Leogang in Austria.

Source: Bikepark Leogang / Christoph Laue.

The mountain resort **Leogang** is situated in the Austrian province of Salzburg. It has 15 km of slopes, 11 lifts and approximately 3,600 beds in different accommodation facilities. Between 2003 and 2014 the number of overnights in the winter season increased from 229,000 to 308,000 (compound annual growth rate: + 2.3%) while the number of overnights in the summer season increased annually by 5.4% (from 141,000 to 280,000).

The most important success factors of Leogang:

- Direct lift connections to two other skiing resorts (with a total length of around 200 km of slopes);
- Very ambitious and successful entrepreneurs owning and operating the best hotels in Leogang;
- Strong focus on mountain bikers (one of the most attractive mountain bike parks in Europe); and
- Several innovative tourism products (e.g., Flying Fox XXL).

6.5.3 Conclusions

Even in a very competitive market environment like Austria with several world class ski resorts, success for small- and medium-sized mountain destinations can be achieved. Finding a niche market, being innovative in product development and keeping a steady pace when it comes to developing attractions, accepting limits and growing in a sustained way by enhancing capacities in different areas in a well-planned and coordinated way are some of the keys to success. Further, it requires joined efforts and collaboration between smaller destinations in marketing and promotion efforts. Events can help to strengthen a destination's image and positioning even though its orientation is only focused on the domestic market or even on one-day visitors. Uniqueness and specialization enable small- and medium-sized mountain destinations to maintain their share of the market and ensure the long-term viability of their tourism businesses.

6.6 The case of Flaine, Upper Savoy, France: Revitalizing mountain summer tourism⁴

In 1964, the French government launched its “Plan neige”, which proposed 15 new ski resorts. One of these resorts was Flaine which opened in 1968 and was particularly innovative in implementing the mono-functional ski resort development model in France. The lack of summer visits to the resort was always a weak point and was consequently identified as main focus of the strategic orientation. This led the management of the resort to launch the “Flaine for Free” initiative in order to increase the summer visits of this prestigious resort.

6.6.1 Uniqueness through contemporaneous architecture

Flaine is a winter sports resort in the Upper Savoy, France, which shares part of the skiing area of the Grand Massif. The resort is situated at 1,600 m above sea level with about 150 permanent residents. The place was discovered by the French geo-physician Eric Boissonas and the Swiss architect Gérard Chervaz who decided to create the resort as a unique example of urbanism expressed in contemporaneous architecture and design by giving priority to aesthetic choices first and ranking profitability second. It is an integrated resort built in the Bauhaus style by Marcel Breuer, a famous disciple of the Bauhaus school and the architect responsible for such prestigious buildings as the Palais de l'UNESCO in Paris and the Whitney Museum in New York. Flaine is the only French winter sports resort of the 1960s which belongs to the inventory of historic French monuments. The slogan of the resort is “Flaine, where Man, Art and the Mountains come together”.

The founders of the resort were very innovative and introduced new technologies and new ways of planning ski resorts. Among these innovations were the following:

- Network of technical posts: no electric cable is exposed;
- Cable TV broadcasting the programmes of the TV station of Flaine (1981–1986);
- Snow factory guaranteeing artificially produced snow since 1973 (a first in Europe);
- Departure station of cable cars and chair lifts at the ground level of the slopes;
- Pedestrian station connecting the different levels of the resort; and
- Non-polluting central heating system with gas (the first in mountain territories).

⁴ Claessen (2012).

6.6.2 Flaine’s summer season strategy



Flaine – the unique contrast between nature and urban settlement
Source: Office de Tourisme de Flaine.

Flaine faced a particularly steep decline in visitor numbers at the beginning of the new millennium. Between 2004 and 2007, summer arrivals dropped from 11,500 to only 7,600. During the same period, overnights decreased from 69,200 to 45,600. This situation led to a loss of confidence of services providers who started to close their shops during the summer season. In 2004, 30% of the shops of the resort were open, whereas in 2007 the number slumped to only 4%.

Possible causes for the reduction of the summer activities at the resort were identified and analyzed, revealing a lack of communication and cooperation among the different services providers. Secondly, it became obvious that among the staff one could find plenty of experts for winter activities but very few were really skilled enough to provide knowledge and expertise for the summer season. High salary costs came with the opening of the resort during the summer months, and lastly, one of the deficits identified was the fact that most of the cable cars were not operative in the summer.

An analysis of the positioning of the resort, the targeted customers and labour force required was made and the existing infrastructure was compared with nearby competitors, Avoriaz, Megève and Chamonix. The management of the resort on the basis of the analysis of the actual state made the decision to offer sports facilities for free, knowing that the concept “free of charge” differs substantially from the “low cost” approach and that such a repositioning strategy was unique.

The chosen strategy aiming at implementing the repositioning included: enhancing communication and promotional activities, and convincing the service providers, namely the shops and the lift owners, to operate during the summer season as well.

Figure 6.7 The strategy “Flaine for Free”



Source: Claessen (2012), *Flaine Summer for free*.

The following leisure sports activities are being offered free of charge: six synthetic turf tennis courts, table tennis and archery range open to all levels from the age of eight, fitness courses under the supervision of skilled coaches, a gym for infants aged three to five years, a big air bag, a bouncy castle and a giant trampoline with six places, kids' clubs supervised by qualified instructors, electric quads for four to twelve year old children, free rental of all kinds of leisure sports equipment and an entertainment programme offered by the Tourism Office.

The chosen model was implemented using a guest card, "Pass Flaine Summer", which is free of charge for all those who lodge in the participating accommodation providers in Flaine. Tourists staying in other lodgings are being charged EUR 20 in 2015, whereas excursionists have to pay the moderate fee of EUR 5 for a daily pass. The card gives free access to all the sports offered by the Tourism Office. The participating accommodation providers as well as additional sponsors cover the costs of the services provided to the guests.

The summer initiative was promoted among the customers by using Web 2.0 communication tools and mobile applications which have the best cost-benefit ratio for such an initiative. The targeted group of this initiative has been families. The messages transmitted via the brochure focus on families and children, promoting sports, games and cultural events, all free of charge.

Figure 6.8 The communication strategy



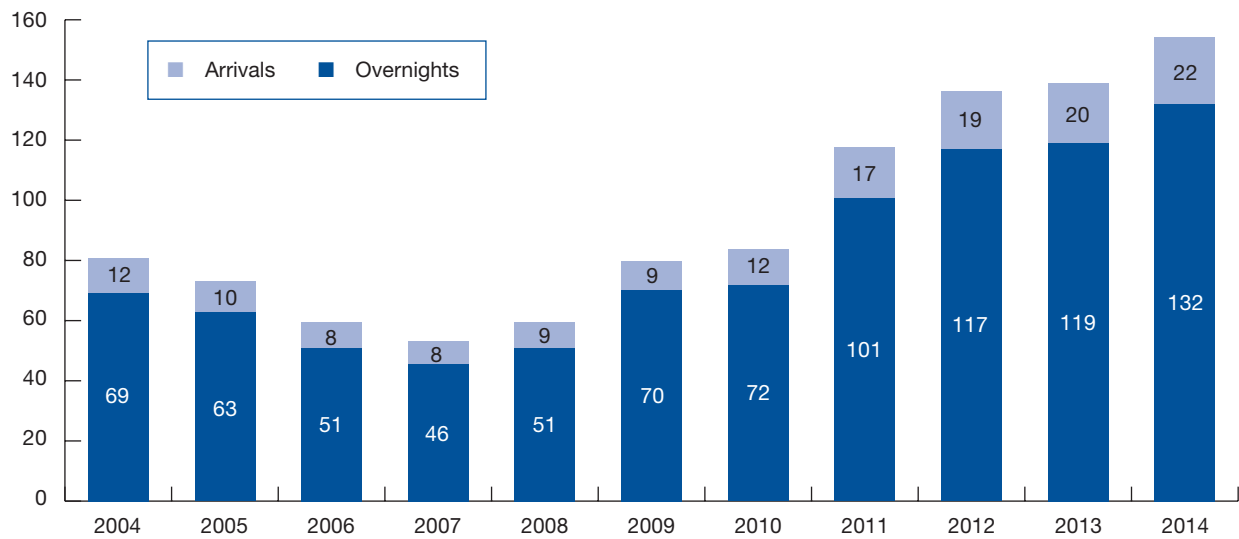
Source: Claessen (2012), *Flaine Summer for free*.

ICT was an essential tool to implement the summer campaign. The mobile application developed for the purpose of the campaign provided valuable information in real time about the weather and the sports programmes and events in real time, as well as live webcam pictures from different spots in the resort. The geo localization system provided information the places where activities took place. The app also offered maps for hiking trails and other leisure sports spaces. Over the course of time, social media tools like Facebook, Twitter and Instagram became the dominant means of communication to implement Flaine's strategy. The application Grand Massif also allowed for better integration of social media tools.

6.6.3 Conclusions

The summer campaign has been successful since its inception in 2008. Summer arrivals and overnight stays continued to grow until today. The success is based on an extensive evaluation of the existing situation that included analyzing the different offers of competing destinations. Focusing on the “Flaine for free” strategy allowed the destination to introduce an unknown, unique and innovative product portfolio that helped not only to clearly differentiate between the competitors but also to reposition it as a summer destination for families with a wide range of offers for children. The innovative free of charge concept also resulted in a lot of media attention, which along with the communication via modern ICT tools, guaranteed a successful promotion campaign. Lastly, the case of Flaine underlines the need for cooperation between the different stakeholders. Only a joint approach with the financial support of the accommodation sector made it possible to introduce the concept to the market and revive the village during the summer months. It was a win-win situation for all actors involved.

Figure 6.9 After declining numbers, the summer campaign resulted in better results in arrivals and overnights (x 1000)



Source: Office de Tourisme de Flaine.

Chapter 7

Sustainable development in mountain tourism

Tourism is one of the few alternatives for developing mountain areas. As an economic activity, however, it can also do serious harm both the fragile mountain ecosystem and local cultural resources. On the other hand, it is severely affected by ecological changes such as global warming, which has increased costs for the winter skiing business. Mountain tourism can be sustainable on a local level only if participants are willing and able to protect both natural and cultural resources.

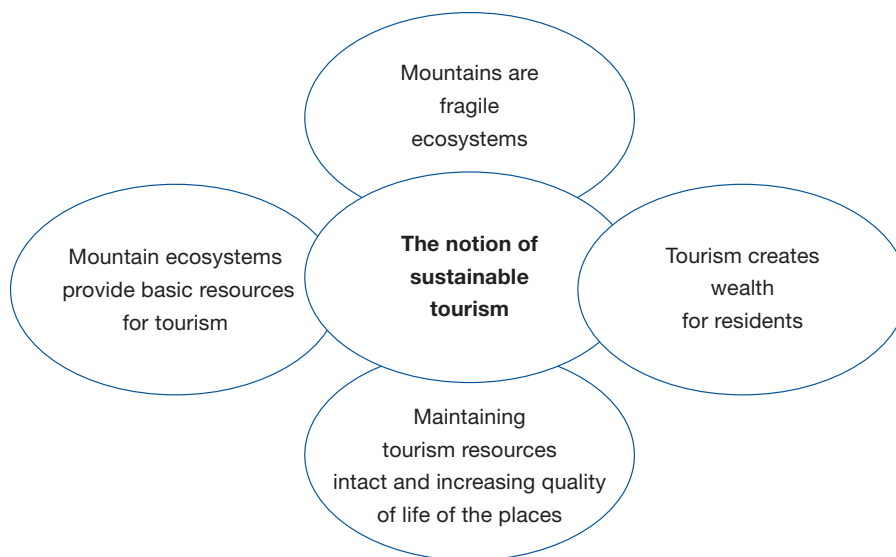
7.1 The challenge of sustainable development

Sustainable development represents a compromise between the need to generate economic growth and the need to protect the environmental resources that make such growth possible. This conflict is particularly significant in mountain tourism. Most mountain territories suffer from the disadvantages of their remote locations, which hinder economic development relative to other regions and result in a loss of local population. To combat these disadvantages, mountain regions need to develop new or additional economic activities. If they have unique natural resources capable of attracting visitors, tourism can become a factor in overcoming these disadvantages and turning them into drivers of economic growth. However, the mountain areas most attractive for tourism development are often highly valued for their pristine environment, which has led to conflicts between local developers and conservationists.

Mountain ecosystems are more fragile than those of flatlands. They are more affected by ecological changes. The layer of humus is thinner in mountain areas and is slower to recover from the impact of the construction of ski slopes and other facilities. Mountain ecosystems are also more vulnerable to pollution since toxic substances can remain for hours in the U- and V-shaped mountain valleys. The beauty of mountain landscapes can also be threatened by visual pollution. Global warming has a major impact on tourism related activities, particularly in winter. Leisure sports activities, the construction of facilities, and the influx of tourists can all generate negative externalities in the forms of waste and pollution.

The fragility of mountain ecosystems is therefore a major challenge for tourism development. Tourism entrepreneurs need to develop a fuller understanding of the resources they wish to exploit and adopt a two-pronged approach that incorporates both more intense use of natural resources while also preserving the unspoiled landscapes and healthy environments that make them attractive to tourists in the first place.

Figure 7.1 The challenge of sustainable mountain tourism development



Source: Keller (2010).

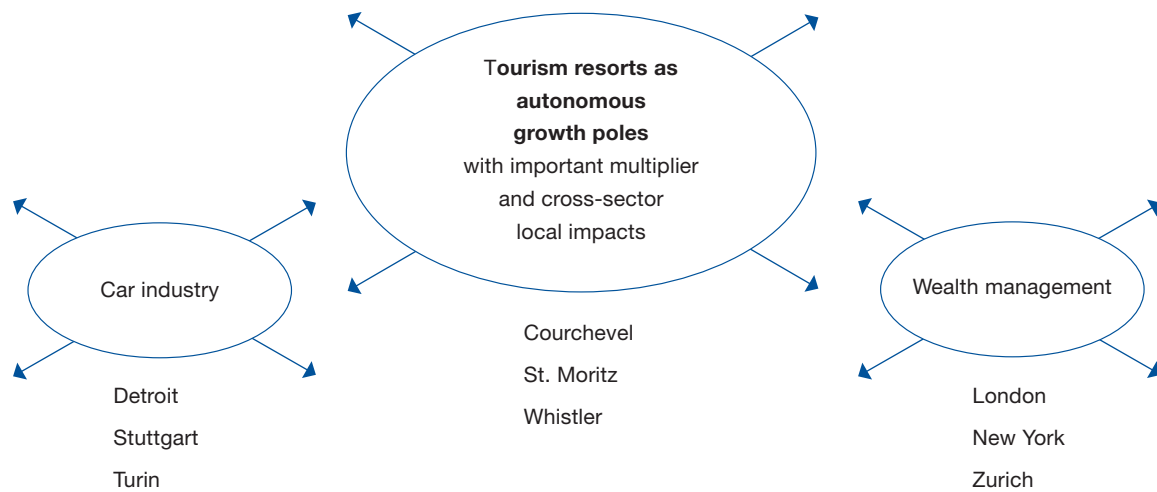
Mountain regions have limited potential for economic development. Due to the rough climate, the steep slopes, and the thin humus layer of its soils, mountain agriculture is labour-intensive and less productive than in other regions. Activities come almost to a complete standstill during the long winter season, which often lasts more than half a year. The difficult terrain and climate conditions also make forestry more difficult and expensive compared to flatland areas. The supply of fresh water for about 80% of the world population and hydroelectricity are, besides mining, the most important economic activities. The financial return on these activities is often insufficient to support significant local economic growth.

Remote mountain regions cannot support major industrial activities due to the high transportation and construction costs. Service industries in mountain regions are hampered for similar reasons.

Paradoxically, what limits the mountain economy as a whole, namely climate, topography, wilderness, and remote location, at the same time acts as the main attractions for visitors. Tourism is the only mountain industry that can be run by the private economy without the state taking the lead role. Tourism is often the only alternative for creating value-added growth and development in mountain regions, while also creating jobs and income in other local industries such as agriculture or construction.

In many places, mountain tourism has created centres of economic growth with high per capita incomes and quality of life comparable to economic centres such as the car industry in Stuttgart in Germany or Turin in Italy or the global clusters of the financial industry in London, New York or Zurich.

Figure 7.2 Mountain resorts as economic growth centres



Source: Keller (2014b).

But the introduction of tourism in remote mountain regions also creates conflicts. The development of tourism facilities and resorts in less developed, more traditional territories with weak socioeconomic structures is often a shock to the local system established over centuries. Nevertheless, responsible tourism development can create wealth that allows local communities to build new socioeconomic structures while maintaining their cultural and social traditions.

7.2 The ecological problem

Economic growth typically involves cyclical growth in the short term and steady growth in the long term. This is equally true for international tourism. The discussion of resource scarcity started only after the first oil crisis, with the publication of the “Club of Rome” on “The Limits of Growth”¹. The concern at that time was the over-exploitation of non-renewable resources. Today, pollution and the loss of resources are seen as major problems. The question is whether the planet’s biosphere can sustain the damage to it caused by economic growth, including that of tourism.

Ecological challenges cannot be managed the same way a company or government can. Abrupt changes in the ecosystem are impossible to control and can occur even without any anthropogenic influences. This process, known as “hysteresis”, creates problems due to three forms of delay: the time required to recognise an ecological phenomenon, the time needed to react, and the time it takes to see the results.

Environmental policies must therefore create a balance between short-term reactive measures and long-term preventive measures. They must take into account both the costs of delay, which increase over time, and the costs of errors, which decrease over time. The time factor varies in relation to the ecological, economic, and policy processes involved. In terms of the environment, the time dimension extends from hundreds of years to thousands of years. The economic aspects

1 Meadows et al. (1972).

are limited to the time it takes to depreciate capital goods. Political time horizons are determined by electoral schedules.

There is a fundamental conflict between the insatiable needs of consumers and the need to sustain the environment. These needs are based on the assumption that the proliferation of continually improving goods and services increases well-being and quality of life. Conversely, empirical studies by behaviourists have shown that when a certain level of wealth is reached, happiness and quality of life no longer correspond to greater buying power.²

Tourism is often criticized as an unsustainable phenomenon that generates negative externalities at the expense of the environment. It is criticised for homogenising distinct natural and cultural resources to process them into sanitised consumer experiences. In reality, it is up to the individual visitor to create their own travel experience. Tourists can use travel to expand their horizons while respecting the destinations they visit. The tourist can in fact contribute to the sustainable development of a destination by minimizing their footprint on the environment.

7.3 Global and local ecological problems of mountain tourism

Mountain tourism is affected by global ecological problems that are at least partly the result of the rapidly increasing consumption of non-renewable resources since the Industrial Revolution. Booming international tourism is increasingly creating pollution, but its share of worldwide pollution is still relatively small.³ As for climate change, the portion of tourism-induced global warming amounts to about 5%.

Figure 7.3 Contribution of tourism to global warming

Sectors	CO ₂ (Mt)	
Air transport ^a	522	40%
Road transport	418	32%
Other transport	39	3%
Accommodation	274	21%
Activities	52	4%
Total	1,307	
Total world (IPCC 2007)	26,400	
Part of tourism	4.95%	

}

Transport:

75% of the GHG emission

a) Does not include other than greenhouse gases (GHG).

Source: United Nations Environmental Programme (2007).

² Frei and Stutzer (2002).

³ UNWTO and UNEP (2008).

On the other hand, it is evident that mountain tourism and fragile mountain ecosystems both suffer from the impacts of global warming. Snow, the major raw material for winter tourism, is becoming scarcer. The minimum limit of snow cover is rising and ski resorts at lower altitudes can no longer rely on the 100 to 120 days of snow cover that is a precondition for profitable ski exploitation. Glaciers, a major attraction during the summer season, are melting. Disappearing permafrost in turn damages high-altitude mountain infrastructure and leads to dangerous rock falls. In short, global warming forces mountain tourism operators to implement costly adaptation measures.

The popularization of mountain tourism led to mass tourism flows to mountain regions. This was accompanied by increased pollution from private car transportation, land-consuming holiday villas and apartments, and the intensive use of land by leisure sports activities. These developments have had an undisputable impact on fragile mountain ecosystems. Hypermobility stimulated by increasingly better access to mountain resorts and mountain recreation areas has led to pollution in resorts otherwise famous for their healthy climate and clean air. In fact, pollution has often been found to be higher in mountain areas than in the flatlands, since polluting gases remain longer in the cold air and lakes of the U-shaped valleys than in flat urban areas exposed to winds and increased movement of air masses. The consumption of land by resort buildings, particularly secondary homes, has led to a loss of green land and biodiversity. The construction of skiing facilities such as cable cars has not only contributed to visual pollution, but also to increased erosion due to the felling of trees and the destruction of grassland as well as the increased potential for avalanches.

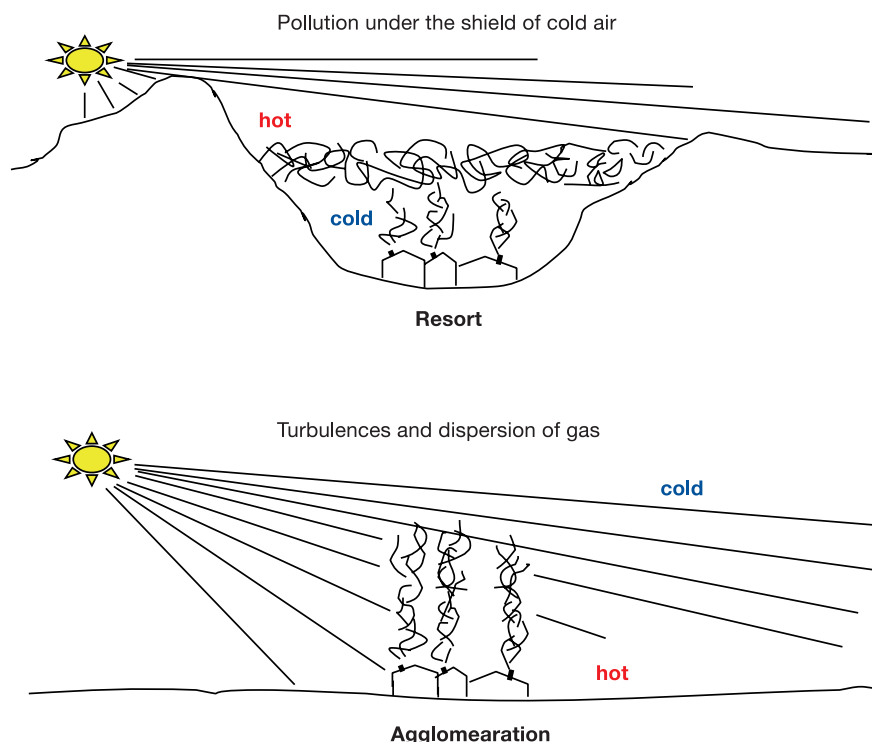


High costs for a protection dam against debris flows due to permafrost melting, Pontresina, Switzerland.

Source: Phillips (2008).

There are a few general principles of environmental policy that should be applied in the field of mountain tourism. General impact assessment is important since it allows for planning development by adapting projects to existing ecological conditions. Such impact studies have to be undertaken for each important development, such as new cable cars, hotels and apartment complexes, or infrastructures. Such studies can help to recognise ex ante possible negative externalities.

Figure 7.4 Impact of pollution in mountain areas and nearby flatland



Source: Keller (2010).

The principle of prevention is primarily represented in physical planning. It is always more efficient to plan a project in detail in order to avoid the need for corrective and reparative work at a later stage. The principle of making the polluter or developer pay is also efficient when the party responsible for ecological damage can be clearly identified. Finally, the principle of collaboration obliges the authorities to identify and discuss the ecological measures developers and operators must take if they wish to avoid rigid and bureaucratic decisions and procedures.

More and more operators of mountain tourism facilities are aware that improvements in energy efficiency may reduce production costs and reduce pollution. This is the case in skiing areas where the cable car and slope systems have been reorganized to be more efficient (see the case of Valtournenche, Aosta Valley, Italy).

Hotels can become carbon neutral by reducing the consumption of heating fuel, which also reduces costs. A prestigious hotel in St. Moritz, Switzerland, draws water from a local lake, saving 430,000 liters of fuel a year.

7.4 The management of tourism-related mountain resources

Tourists are drawn to mountain destinations due to the climate, fresh air, and clean and clear rivers and lakes. Mountain stays are considered rejuvenating, healthy, and authentic. Mountain destinations have long been associated with healthy living, drawing healing qualities from the environment itself.

It is therefore a must for mountain resorts to keep their environment intact, to maintain natural resources and to protect their landscapes. In surveys, visitors inevitably stress the importance of unspoiled landscapes and a pristine environment. Preserving tourism-related mountain resources is therefore a priority for developers, operators, and authorities in those regions. Nevertheless, a general lack of willingness to contribute financially to sustainability issues is well documented.

The conflict between the objectives of sustainable development arises from the decision to develop a location for tourism or not. Both goals are supported by the intergovernmental community. The General Assembly of the United Nations has designated the development of poor mountain territory as a human right that is anchored in the Declaration of the Right to Development of 4 December 1986⁴. The goal of protecting mountain ecosystems was presented at the Earth Summit in Rio de Janeiro as Agenda21⁵. It is evident that tourism is an important tool for underprivileged mountain regions. On the other hand, there are territories with outstanding natural resources that should be protected.

From an economic point of view, the heaviest investments should be made in the areas that are best suited to tourism development. The locations of the most famous summer resorts in the Alps were discovered and developed by market forces, excited visitors, and ambitious investors, all without help from the state. Today, these resorts are well-developed places with a high quality of life which, in some cases, are also able to protect the surrounding environment and landscapes. If only the most suitable sites are developed, ample space will remain for protected territories. The strict application of recognized planning principles is in the end favourable for the environment.

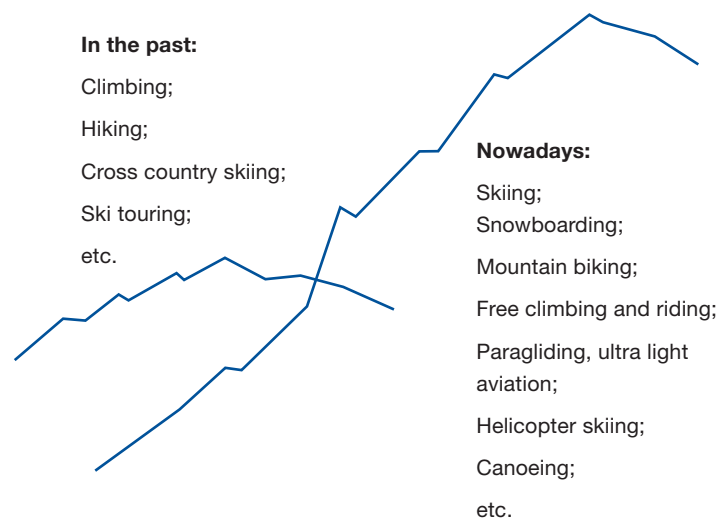
The industrialization of mountain tourism by the ski industry has led to a radicalization of environmental matters. The ecological debate in the pioneering mountain tourism regions initially focused on pollution caused by transportation, particularly excursionists who reached remote ski resorts by car, but later expanded to include the impact of building ski slopes on the terrain, with early evidence of global warming calling the long-term sustainability of ski resorts into question.

The impact of civilization on mountain territories is increasing in developed countries. The construction of second homes in mountain territories and the transformation of green land into new settlements are both steadily increasing and the provision of infrastructure for Alpine leisure sports severely impacts mountain areas more than it during the early years of mountain tourism development.

4 UN (1989).

5 UN (2002).

Figure 7.5 More intensive use of mountain territories by leisure sports activities



Source: Keller (2001, 2002).

It is therefore necessary to divide territories into areas where fully equipped resorts can be developed and those that are either fully protected or open only for “soft” uses such as hiking or ski touring. Such an approach can be carried out by spatial planning in the initial stage of tourism related development. Many problems in developing new ski resorts occurred because they were implemented in protected areas or extensions of existing resorts were planned to extend into nature reserves.

The attraction of mountain destinations is the result of the mix of majestic mountain peaks and the appealing scenery of their natural and cultural surroundings. Traditional landscapes are part of the national heritage. They strengthen a people’s cultural identity, and are considered a main reason to visit mountain areas.



Swiss rural landscape and mountain wilderness with the Refuge du Gouter in France as two different concepts of landscape.
Source: Dreamstime and DécaLaage, Groupe H; Gudrun Bergdahl – Pascal Tournair.

The changes wrought by modern civilization in general and by tourism development in particular can cause visual pollution of natural and cultural landscapes. Infrastructure such as roads and railways, high-voltage power lines and agro-industrial buildings and installations that are left to erode and crumble can have sustained negative impacts on the perceived attractiveness of

landscapes, often irreversibly so. More significant, however, are the slow processes of changing attractive landscapes that are not perceived as such at the beginning, but start to change when an advanced stage of alteration is reached. This is particularly the case in rural landscapes that are transformed in mountain tourism areas. The building of land-consuming secondary homes on traditional farmland can lead to such processes. They are similar to rapid and at times completely unexpected changes in the environment (hysteresis).

It is easy to define the attractiveness of a landscape in negative terms, pointing to everything that disturbs its positive perception. On the other hand, it is more difficult to determine what charm means in terms of the landscape itself and to what extent a scenery should be protected or not. Even if the perception of beauty differs from one individual to another, a consensus opinion can nevertheless be developed. Such a process obliges stakeholders to enter into discussion before making a decision.

There are, however, ways to measure the value of unspoiled landscapes in economic terms. Surveys on the willingness of visitors to pay for landscape preservation are tools for determining the value of a given landscape. Knowing the sum of the willingness to pay of a sample of potential visitors, it is possible to capitalize it like a perpetual annuity. If one takes into account that potential alternative investments reflect the opportunity costs of nature/tourism (for example leisure parks), the capital costs can be used as interest rates. The value of a landscape is then the sum of the willingness to pay divided by the interest rate.

The quantification of costs and benefits of landscape protection can help stakeholders find appropriate solutions. There are costs related to the protection of landscapes. Landowners have to abstain from possible investments. Potential production costs for providers of services may increase. Municipalities cannot develop tourism in certain areas. The state has to bear the costs of protecting the landscape and taxpayers pay for those costs. On the other hand, attractive sceneries are becoming scarce. Through a regime of protection and preservation they can become collective assets. A cost-benefit analysis can be made to support the decision to protect a landscape or not.

It is not sufficient to protect mountain tourism areas. Once a territory is protected, it also requires care and maintenance. Mountain farming is the most common technique for maintaining landscapes in mountain regions. Farmers in Switzerland even receive subsidies for gardening mountain landscape as financial incentives. In poorer countries that lack such incentives, it is not uncommon for farmers to migrate to cities in the hope of being able to pursue a less demanding livelihood there.

Generally speaking, landscapes are free goods. No one pays for their protection. In countries where landscape resources are scarce, public interest in their protection is growing. Conservationists have begun campaigning for landscape protection. State administrations are trying to protect landscapes through spatial planning by creating zones with different degrees of protection. This zoning ranges from areas that are totally excluded from any form of use to areas that allow so-called "soft" forms of use, typically prohibiting cable cars, ski slopes, and the use of motor vehicles. In these cases, landscapes are becoming public goods.

National and regional parks are a means of protecting landscapes, either in whole or in part. The concept of national parks dates back to 1872 when the Yellowstone National Park was established

in the United States of America. It was soon followed by more of its kind in other regions on different continents. They were an effective tool to protect nature and wildlife in huge and coherent territories. It was also in North America where the first national park service was introduced in 1911. The heavily regulated opening of these parks to visitors by the National Park Administration of the Department of the Interior of the United States of America became one of the biggest tourism-related businesses. Protecting natural areas and making them accessible to the public is the best way to remind people of the value of nature and the role of landscapes as an essential part of national heritage. In 1914, Switzerland created its first and to date only National Park in the region of Engadin, Grisons. After the Second World War, the French government established regional parks in which the building of tourism-related facilities on a limited scale and certain “soft” leisure sports would be permitted. The first real French national park was in fact the result of a campaign by the local population against the development of tourism infrastructure in the Alps in 1963. In 1922, the Vanoise National Park together with the already existing Gran Paradiso National Park in Italy constituted the largest alpine national park area with an area of 1,200 km². Austria’s first National Park “High Tauern” was only established in 1981.

The question arose as to whether viewing landscapes should be paid for by a visitor fee. Until now, mostly for reasons of practicability and control, responsible authorities have not levied any charges. An exception to this rule is Iceland, a mountainous country that introduced fees for viewing its most important attractions, giving rise to discussions about the need of such fees in other countries.

7.5 Introduction to the cases

Optimal use of ski areas is achieved through better planning and by creating a balance between slope and cable car capacity. A reduction in the number of lifts in an existing ski area can reduce operating costs and lead to a better use of resources. Another step ski resorts can take is to use energy more efficiently in order to reduce costs, waste, and pollution. Cervinia-Valtournenche, the ski area on the Italian side of the famous Matterhorn, is a tremendous example of cost-efficient management and effective and efficient energy use.

The second case presented shows how destinations can react to shrinking snow cover, melting glaciers, and thawing permafrost, all of which are ecological challenges with high adaptation costs. The Swiss Institute for Snow and Avalanches Research SLF Davos has evaluated the situation in Andermatt, Switzerland. This traditional mountain resort is situated in the heart of the Swiss Alps in the region of San Gottardo. Researchers analysed snowfall levels and the cost of artificial snowmaking. They also studied the impact of melting glaciers on access from the mountain station to the ski slopes as well as the consequences of thawing permafrost on cable car buildings. The population of Andermatt is well acquainted with harsh and unpredictable natural conditions. The same can be said of one of the world’s most famous resort developers, which is currently investing significant sums in renovating the resort’s accommodation and ski structures.

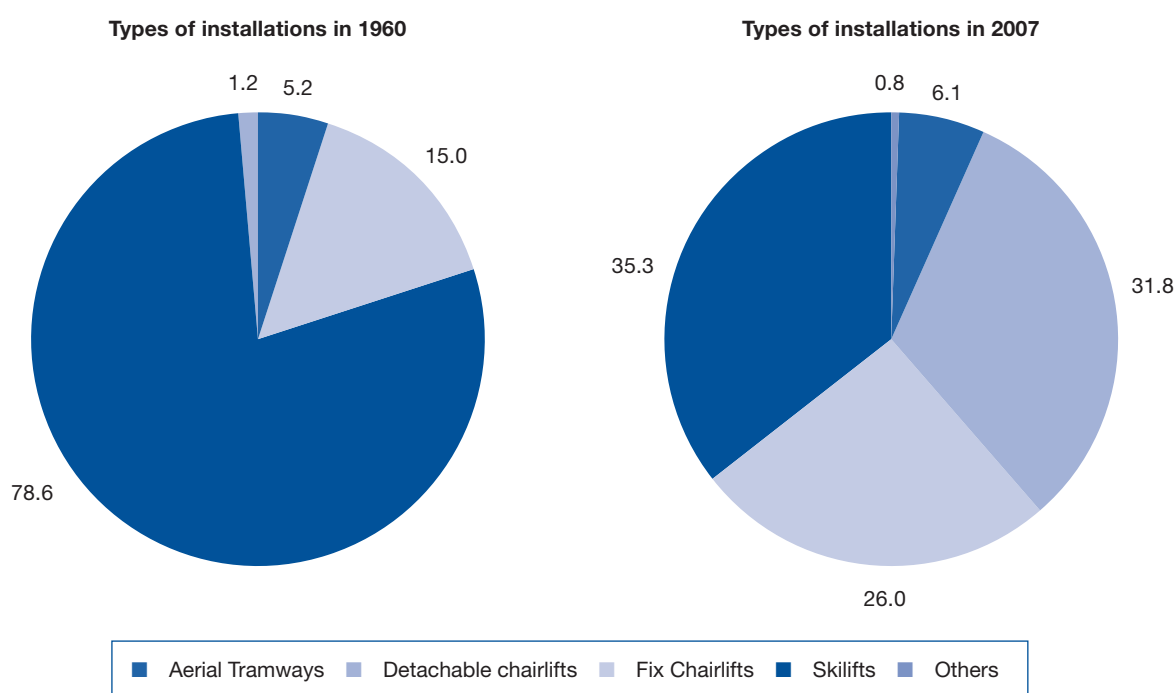
7.6 The case of Cervinia-Valtournenche-Valley of Aosta, Italy⁶

Sustainability is a major objective for cable car companies, which not only transport skiers, but also are often involved in the construction and preparation of slopes and artificial snowmaking. Reducing energy consumption is vital to both combating waste and pollution and lowering operating costs. This objective can be achieved either by saving energy through the optimization of the number and types of cable cars and lifts relative to the number of slopes, or by tapping renewable resources such as hydroelectric, solar, or recycled energy.

7.6.1 Basic conditions

The 1960s were characterised by small ski resorts, often with only one ski lift. In the 1980s, the number of lifts increased dramatically and ski areas were enlarged. During the same time, the types of installations changed. Ski lifts were replaced by fixed or detachable chairlifts, which were far more comfortable, easier to handle and manage, and above all, independent of the nature of the slopes or the quality of snow. Today, the aim is no longer to increase the number of installations, but to increase their capacity.

Figure 7.6 Shift between transportation types in skiing areas (%)



Source: Blengini (2008).

⁶ Blengini (2008), expanded by the authors of this publication.

7.6.2 Optimising transport facilities

Today, operation costs are being reduced by rationalising and optimizing investments and by focusing on efficiency throughout the planning process. The optimization of lifts is defined by the choice of the type of installation relative to its function, the slopes being served, the flow of skiers transported per hour, and the level of comfort offered. These four parameters have to be analysed in detail.

Transport capacity is measured in people per hour. Lifts with high transport capacity consume more energy even when few people are using them. Additional transport capacities are often installed to handle periods of peak traffic. These peaks are defined by the type of users, whether excursionists or tourists, with the latter staying either in commercial forms of accommodation or secondary homes.

Transport service can be provided continuously throughout the day or can be adjusted to the needs of the visitors. The lifts are programmed to serve morning and evening peaks, and often function throughout the day without transporting significant numbers of people. In this case, it makes sense to balance the use of aerial tramways functioning on a timetable or detachable chairlifts on a continuous operational cycle and fixed chairlifts.

Comfort is linked to such variables as the capacity of the cabin, whether it is heated, the seat type, and other elements. Higher levels of comfort tend to correspond to higher energy consumption rates and increased maintenance costs.

7.6.3 Optimization of slope layout and snow production

This type of optimization relates to the planning of the slope layout and distribution of ski runs in the territory of a given ski area. The objective is to increase the number of slopes and reduce the number of lifts. The result of this optimization is a reduction in energy, labour, and management costs. These reductions are typically linked to an increase in slope capacity and higher quality services.

Figure 7.7 Results of ski slope and transport facilities optimization in Cervinia-Valtournenche-Val d'Aosta

	Before	After
Number of cable cars and lifts	28 (12 ski lifts)	21 (2 ski lifts)
Persons transported per hour	35,346 p/h	48,899 p/h
Number of slopes	58	63

Source: Blengini (2008).

Ski areas that lack snow may optimise snow production by choosing appropriate places for the pump and compression station and though better placement of snowmaking points along the slopes. In the latter case, variables such as the characteristics of the slopes (width, vertical drop,

and directional orientation), the importance of a given slope in the ski area and the overall size of the ski area should be considered.

7.6.4 Energy production and recycling

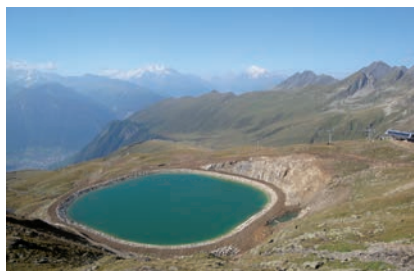
While aerial tramways consume energy during their ascent, they may be equipped with regenerative brakes as a means of recovering energy upon descent.



Modern energy recuperation systems in aerial tramways recover the trams' potential energy as they descend.

Source: Doppelmayr; Markus Hertrich.

Another possibility is to combine hydroelectric power plants with water storage systems. Water collected in a valley can be pumped to higher altitudes and stored there as a means of guaranteeing of snow production in winter, but can also serve as a reservoir for hydroelectric power plants to produce electricity in the summer.



Reservoirs can be used not only for artificial snow but also for energy production.

Source: Blatten-Belalp Tourismus; RegModHarz; Technoalpin.

Lastly, lift infrastructure can include regenerative energy technologies to lower costs and provide a sustainable source of power. The first solar powered ski lift was opened in 2012 in the small Swiss town of Tenna, and its 80 solar panels will even contribute to the local community's power grid during the summer season. Wind power provides a great share of the power needed by the ski lifts in Salzstiegl, Austria. In 2007, the resort invested EUR 2.1 million in the first windmill with a height of 105 m at an altitude of 1,700 m, which was shortly followed by a second one in 2011. More than 50% of the ski area's electricity demand is covered by these installations.



Solar power at the Tenna ski lift in Switzerland and the windmill at Salzstiegl in Austria are two renewable sources of energy production.

Source: Solarskilift.ch; LEITNER ropeways.

7.7 The case of Andermatt, San Gottardo, Switzerland

Snowfields, glaciers, and permafrost are Alpine features affected by changing climate conditions. Climate change is not a matter of speculation. It is a recognized phenomenon with consequences for high-altitude tourism. It is a reality proved by data gathered over many years and substantiated by empirical research.^{7,8} Temperatures in the Alps have risen three times faster than the surrounding flatlands from 1900 to 2000.⁹

The major impact of climate change on Andermatt, a leading Swiss mountain tourism destination located at an altitude of 1,400 m, is the change in winter snowfall, the retreat of the glaciers, and the thawing of the permafrost. This medium-sized mountain resort in the heart of the Swiss Alps provides insight into the issue of local adaptation measures and their costs for the local tourism economy. The case of Andermatt also shows that the consequences of climate change are a challenge that can be successfully addressed both in the short and long term. The threats posed by environmental changes did not prevent an entrepreneur from rejuvenating the destination by providing financing for the construction of new facilities needed to address those threats.

7.7.1 The impact of climate change on the Alps' cryosphere

The following impacts of climate change are on record concerning mountain resorts all over the Alps:

- Modification of the temporal and spatial distribution of winter snow cover with a shortening of winter seasons;
- Glacier retreat and shrinkage with the modification of water resources and runoff regime, access problems to the slopes, changing landscape in summer (no more white mountains) and natural hazards; and
- Thawing of mountain permafrost with slope movements and infrastructure instability.

7 OECD (2006).

8 UNWTO and UNEP (2008).

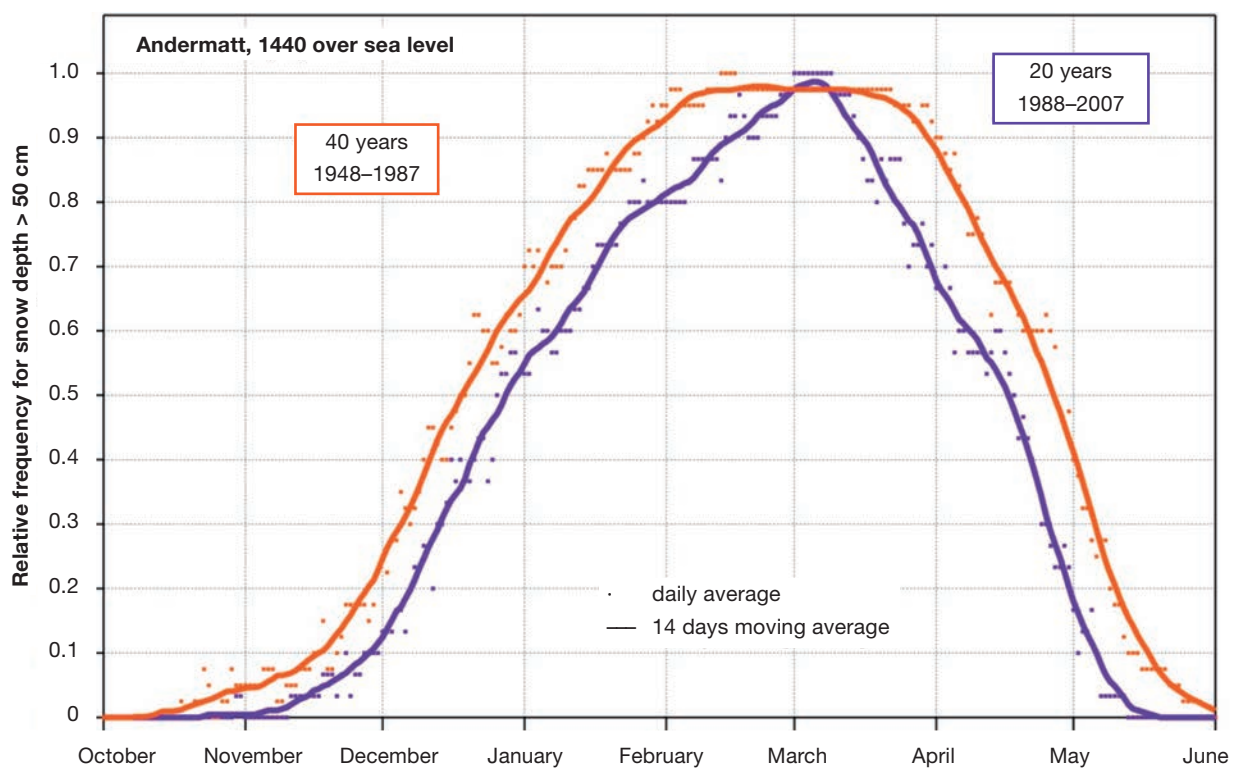
9 Béniston (2004).

These impacts also affect Andermatt. Abundant research has been done by the Swiss Institute of Snow and Avalanches in Davos and presented at the 5th World Congress on Snow and Mountain Tourism, which was dedicated to climate change.

7.7.2 The problem of snow cover and mechanical snowmaking

Andermatt has a harsh climate and normally abundant snowfall. However, the number of days with snow cover of at least 50 cm are diminishing. There is less snow at the beginning of the winter season and before Christmas, which is one of the seasonal peaks for snow sports.

Figure 7.8 The case of Andermatt proves the shortening of the winter season without artificial snow making



Source: WSL-Institut für Schnee- und Lawinenforschung SLF.

The local cable car company solved the problem through artificial snowmaking. In 2007, snowmaking cost the destination about EUR 300,000 (amortization included). The improvement and development of more sophisticated systems has made snow production more sustainable. Current state-of-the-art technology reduced the energy demand of one snowmaking unit by 80% compared to the first systems introduced 15 years ago. The new equipment is also far less noisy and can produce snow at outside temperatures 2°C warmer than in the early days of snowmaking.

7.7.3 Glacier retreat and accessibility problems

Glaciers all over the Alps are retreating and losing volume. The “Gurschenfirn” glacier situated in the ski area of Andermatt’s Gemsstock peak offers easy skiing, but is retreating like almost all of the other glaciers in the Alps. Its length has shrunk by 400 m in 85 years. Skiing is still possible, but access from the summit station to the slopes had become impossible due to the amount that the glacier had retreated. Construction of an access ramp was needed in order to once again provide access to the slopes.



Shrinking volume of the Gurschenfirn glacier in Andermatt made access to the slope from the cableway summit station impossible.

Source: C. Daniöth.



Ramp construction to enable skiers to access slopes on the glacier.

Source: Andermatt-Sedrun Sport AG.



Fleece to prevent ice loss on the access ramp.

Source: Andermatt-Sedrun Sport AG.

During the summer, the remaining ice on the access ramp must be protected from the sun by a fleece cover measuring 4,000 m² at an initial cost of EUR 20,000 and yearly follow-up costs of EUR 15,000 (installation, maintenance, and removal). The fleece has in fact led to a reduction in cost since it is no longer necessary to rebuild the access ramp each year. The fleece was considerably less expensive than other solutions, such as a steel ramp down to the glacier, an elevator between the station and the glacier, or a subsidiary cable car station.

7.7.4 Permafrost warming and potential problems for high mountain infrastructures

High altitude soils are ice-rich. Ice is in their bedrock, but it melts at higher temperatures and can lead to rockfall and debris flows. Melting permafrost represents a threat to high mountain infrastructures since it can lead to the formation of cracks, requiring the demolition and reconstruction of buildings such as restaurants or cable car summit stations. Further, melting permafrost leads to creeps that destroy avalanche defence structures.

In the case of the Gemsstock cable car, 160 tons of concrete had to be injected to stabilize the station and another 44 tons to stabilize the garage for machinery and rolling stock for ski run grooming and maintenance. The costs of all these measures amounted to EUR 700,000. Monthly inclinometer measurements are also necessary. Efforts to prevent heat transfer with the ground, such as air circulation under and around the buildings, insulation materials, and active and passive cooling systems, must also be taken.

In general, melting permafrost leads to additional costs and problems related to the construction and maintenance of high mountain infrastructure such as expensive preliminary investigations, high transport costs by helicopter or cable car, additional technical procedures, etc.

7.7.5 Rejuvenating the resort despite ecological challenges

In the 20th century, Andermatt hosted military installations housing 13,000 permanent military personnel, providing income and employment for the resorts. The recent closing of many of these installations has weakened the local economy. Egyptian entrepreneur Samih Sawiris and his Orascom Development Holding AG invested in the Andermatt Swiss Alps village extension project, which is currently being developed in stages over the next several years (see chapter 6.2). The resort is integrated into the existing traditional mountain village of Andermatt. A total of six 4- and 5-star hotels, 500 apartments in 42 buildings, 25 chalets, convention facilities, a swimming facility, and an 18-hole golf course are planned. The first 5-star hotel “Chedi”, designed by architects from Singapore in the traditional chalet style, opened to the public in 2013. Furthermore, the Andermatt and Sedrun ski areas are being merged into the SkiArena Andermatt-Sedrun.

The investor established personal contacts with the local population and its leaders and eventually won approval for the project. In the end, a vote showed that 96% of the local population supported the master plan that defined the construction zones of the project. It is significant that all of the construction projects are in accordance with Swiss MINERGIE standards,¹⁰ which require low levels of energy consumption and the use of renewable energy installations.

The centre of the village will be car free and only electric vehicles will serve as means of transport. The river that crosses the area has been revitalized. The project will create 1,200 full-time positions and 600 seasonal jobs. It will largely compensate for the losses the local community has suffered due to the withdrawal of the Swiss Army.

The investor took significant risks by investing in Andermatt. Like all Alpine tourism pioneers, he has been confronted with the problems inherent in adapting human activities to ecological constraints. But he has also helped reduce the impact of these constraints by building and operating a resort on a sustainable basis, making it unique in the Alps.

Figure 7.9 **The expansion plans for the Ski Arena Adermatt-Sedrun as part of the development project of Swiss Alps Andermatt (new cable cars and lifts in red)**



Source: Ski Arena Adermatt-Sedrun.

¹⁰ Swiss MINERGIE is a registered quality label for new and refurbished low-energy-consumption buildings.

Chapter 8

The institutional framework of mountain tourism development

Entrepreneurship and local initiative are scarce resources in many less developed mountain regions. In cases where policies aimed at increasing the quality of economic and social life in such areas exist, public administrations should consider employing tourism as a vehicle for achieving development objectives. However, prior to proceeding in that direction, it is imperative to assess the extent to which some overriding prerequisites for this form of development exist. These requirements typically include sufficient levels of appropriate human and natural capital, access to suitable markets, and the availability of physical sites capable of attracting and accommodating summer and winter tourists. If these prerequisites are fully met, then opportunities to use such locations as regional growth poles for tourism and other related economic and social activities merit more in-depth assessment and planning to establish a realistic sense of their probable viability. In such processes, government administrators and developers should collaborate to determine the optimal level and type of development possible based on market needs and site carrying capacity characteristics.

8.1 Entrepreneurship and local initiative as scarce resources

The forerunners of mountain tourism were independent innovators. Employing their own expertise and financial resources, they created mountain-specific forms of transport, accommodation and related sports venues. These innovators were entrepreneurs acting independently from the state and its institutions. Their developments were located in mountainous regions adjacent to urban centres experiencing rapid industrialization and liberal opportunities for investments in potentially profitable projects. The centres catered to a growing market of people possessing the financial resources needed to stay for months in sophisticated retreats for exclusive groups of illustrious clients. These guests helped reinforce the appeal of the mountain destination. Watching the sun set on the mountains was a must-do at that time.

As these visitors gained mountain experience and they developed interest in specific activities. Many of them became particularly interested in mountaineering and skiing and eventually founded specialized alpine societies and clubs pursuing these activities. These experienced guests, their local mountain service providers (e.g., mountain guides, ski instructors, hoteliers) helped investors develop increasingly attractive mountain destinations and facilities. Their successes led less developed mountain municipalities to employ tourism as a new and prosperous economic basis. Most existing leading mountain resorts in the Alps experienced this general pattern of development. However, in more recent times, entrepreneurial resources for mountain tourism development have gradually become scarcer largely because competition for such venture capital has increased from other emerging products, industries and sectors promising higher profits. Entrepreneurs have also become more reluctant to invest in businesses constrained by growing economic and ecological constraints on development.

Many alpine summer and winter destinations in Western Europe and North America have reached mature stages in their evolution. Demand for their traditional recreational offerings has declined, and in many cases their specialized products and services have become largely niche market experiences. While demand for skiing has increased worldwide over the four decades, it has done so at a decreasing annual rate. In skiing's main domestic and international source markets, the incidence and frequency of skiing has decreased. The loss of popularity has made investors increasingly reluctant to finance important projects designed to rejuvenate the existing supply of offerings. Similarly, increasingly strong ecological and social legal constraints have further reduced investor willingness to invest in alpine mountain tourism projects. This is particularly the case in less competitive small and medium-sized mountain resort regions. This lack of entrepreneurial spirit is most apparent in economically underdeveloped and remote rural regions in emerging countries where changes in economic structures supporting development are particularly difficult to make. As a result, in such regions, the risk of failure is significantly higher for those seeking to initiate new developments. Existing infrastructure deficiencies in most less developed countries tend to reduce local and external investor willingness to venture into new developments and new mountain resort projects. In other words, self-initiated and sustainable development is rather unlikely and external pressures from private investors and/or governments are necessary for advancement.

8.2 The level and process of development

While mountain tourism attractions are widespread, the majority of alpine tourism flows and receipts tend to be domestically generated. More internationalized alpine tourism destinations tend to be limited to flows between countries and regions where potential visitors have similar preferences and where the products are comparable.

The level of infrastructure development required in mountain tourism destinations tends to be a particularly critical component of competitiveness when compared to that associated with many other forms of tourism. This is largely due to human adaptations to the climatic and topographical realities of mountain tourism regions which require substantially more costly infrastructure and facility support systems. Greater opportunities for attracting investments in such infrastructure are normally more available in developed countries where markets and financial resources are more abundant. Access to such resources is critical to helping destinations supply an ever-expanding set of sophisticated tourism products and infrastructures expected by demanding tourists. Flagship mountain resorts in developed countries tend to become the benchmark for competitors from emerging countries seeking to enter the international marketplace. To compete, they must offer comparable standards of quality in order to attract domestic or even international visitors seeking mountain tourism experiences.

The cumulative effect of less than competitive infrastructure and limited access to well-developed markets decrease investor readiness to take on developments in many less developed regions. As a consequence, such mountain developments tend to focus on providing less infrastructure costly alpine opportunities such as trekking.

Planning, building and establishing mountain tourism resort destinations require a mid or even long-term perspective. It requires much specialized planning and investment to create a unique tourism cluster of facilities and services capable of capturing the sustained attention of visitors.

Clusters in mountain tourism are spatial concentrations of several complementary lift, hospitality, accommodation and recreation businesses working collaboratively under a collective resort brand to attract visitors to the destination. While most mountain tourism clusters have their own histories, they generally have a brand and identity tied to unique or distinctive aspects of the primary alpine location. They may include companies from the same industry such as competing hotels or restaurants that all want to provide services to the visitors.

Resort building is done progressively even in situations where projects are built *ex nihilo* and out of existing settlements. Only when a threshold cluster of companies with the common vision of providing a range of complementary visitor services exists around a powerful alpine attraction, a viable business model can be considered feasible.

8.3 The mountain tourism development models

Several important criteria exist with respect to selecting an appropriate mountain tourism development model. Most critically, it is imperative to understand that tourism is essentially a market driven phenomenon. This market is largely liberalized and visitors have many options from which to choose from. For that reason, it is essential for new or existing mountain destinations and their respective private sector stakeholders to have unique selling propositions that align with the needs and preferences of their target markets.

Most leading mountain resorts were developed by independent innovators looking for new business opportunities. They understood what aspects of their attraction represented saleable attributes in specific marketplaces. They evaluated the endogenous and exogenous growth factors such as the distance to important source markets and the relative influence and number of competing and intervening attractions. They applied innovative business strategies to create effective and efficient business models. They profited from good overriding economic conditions in the host destination and key target markets.

During the process of development, individual entrepreneurs became aware of the importance of horizontal and vertical cooperation under the umbrella of the destination. They realized that the destinations can provide individual companies with competitive cluster advantages in the form of brands, agglomeration impacts and market power. Their diversified structures made the adaptation to new demands and trends easier and guaranteed better survival in times of strongly fluctuating tourism flows and changing visitors' preferences. Two-thirds of the 47 biggest ski resorts with more than one million skier days function successfully in this way.

The French government's top-down approach to development represents a totally different way of developing mountain resorts. It was not based on individual entrepreneurship, but rather on research and development. It standardized the supply of resort facilities. Urban planners, landscape designers and architects from governmental services chose the sites by selecting only those sites with altitudes high enough to guarantee reliable snow conditions. They built high-rise buildings and apartment blocks like in metropolitan cities. Investment groups, hotel chains and secondary home owners financed the different types of accommodation facilities. These resorts were envisioned to serve as temporary residences for tourists, as opposed to locations for permanent stays.

The French development model was initially copied by some North American mountain resorts, but with one important difference: the development was not fully steered by public administrations or municipalities, but rather by mountain resort management companies backed by private investors or investment funds. These companies often managed several mountain resorts. For instance, Vail Resorts operates lifts and associated facilities, the lodging sector comprised of luxury hotels and condominiums and the real estate business. The corporate top-down approach is typical for many mountain resorts built *ex nihilo*. The French and the US development models have been adopted by most of the new mountain resorts in Eastern Europe, Central and East Asia.

Mountain resorts are generally developed in places which have accessible attractions and can offer convenient mountain tourism facilities. Many remote and less developed mountain regions all over the world do not meet these requirements. They can nevertheless often offer outstanding natural and cultural attractions.

Community based tourism strives to enable local participation in tourism development by using existing mountain tourism resources in a sustainable way. It tries to generate local income and to enable the resident population to enhance their standard of living. Local participation means empowering people to mobilize their own capacities and control the activities that affect their lives.

The international community supports these alternative development models through technical cooperation agencies and related financial institutions. In their investment decisions, they take into account that tourism demand stimulates the creation of many diverse enterprises that create less formal sectors where residents and visitors exchange goods and services. These agencies consider tourism to be an “invisible” export industry supporting host destination industries at the place of production.

8.4 The externalities of mountain tourism growth

Mountain tourism regions are generally not as rich as urban regions. Only leading mountain resorts have per capita incomes that can be compared with wealthier places. Nevertheless, there is much evidence that tourism can generate income and employment for host resident populations and helps enhance their quality of life. Tourism related sport and leisure facilities (e.g., ski slopes, health and fitness facilities, swimming pools, etc.) can also be used by local populations. Similarly, tourism related cultural and social events as well as entertainment and nightlife facilities are open to residents and enrich the local offer of leisure activities.

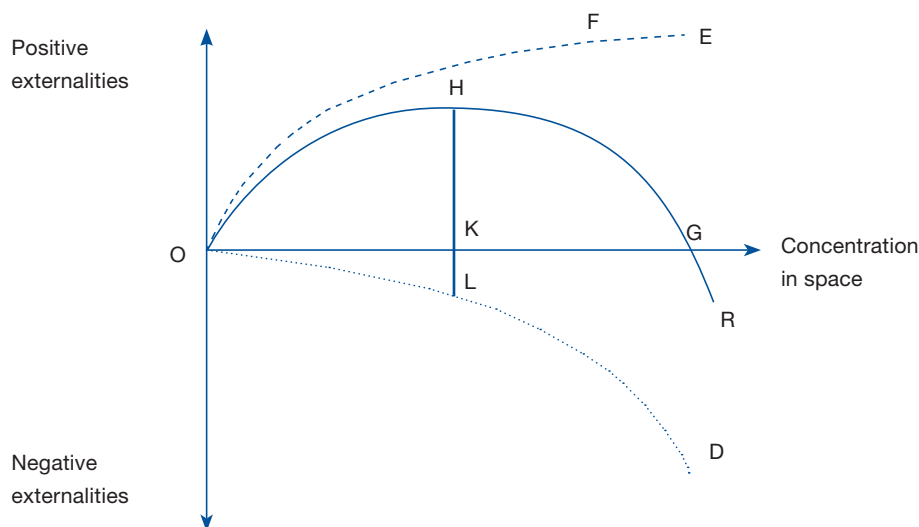
There are nevertheless winners and losers when mountain villages are transformed into tourism centres. The *ex nihilo* resort building concept in fact does exclude, to varying degrees, local resident participation in some aspects of tourism social life. These resorts are a type of closed community with the resident population representing the minority and are often physically excluded. If tourism is part of the overall development of existing places, residents often face price increases in their housing which forces them to live in cheaper places in other neighbourhoods away from the centre of the resort. This phenomenon also occurs in more traditional urban centres. Negative social and cultural impacts on residents can also happen in mountain tourism resorts when excessive and rapid development occurs. However, when opportunities for fruitful dialogue between those who provide services to visitors and those who represent the host community occur, many opportunities

for collaboration appear. There are examples of different resort stakeholders finding ways to join forces with local governments to solve common problems (see the case of Whistler, section 8.8).

While approaches to managing growth vary according to a mountain resort's development phase, the overall intent should be to ensure that development occurs at a rate and intensity that does not overwhelm the ability of local stakeholders to manage its effects. Indeed, in the stage of take-off at least a minimum threshold of tourism related buildings and facilities is necessary for winning external economies. Such economies in the initial stage of growth include cable cars, roads, sports and shopping facilities. Collectively, they create agglomeration effects that increase the attractiveness of the resort for additional investment in hotels, restaurants and other related tourism services.

If growth is too strong, too rapid and not regulated, continued concentration can lead to negative externalities such as high infrastructure costs, traffic congestions, parking problems, noise or pollution. It is therefore necessary to plan on the basis of an agreed optimal size of the given mountain resort. The application of the principle of carrying capacities should nevertheless not be implemented without taking into account the market forces in terms of allowing for a certain margin of growth.

Figure 8.1 Optimal size of mountain resorts and carrying capacity



Source: Keller (2010).

8.5 The role of public administration in the field of mountain tourism

The initial growth of mountain tourism during the 19th century was abruptly interrupted by the First World War, the Great Depression and the Second World War. During this period, the 'leisure class' of wealthy visitors disappeared, and mountain tourism destinations went through a long structural crisis. Consequently, Alpine countries took measures to promote mountain tourism destinations. They supported the struggling accommodation sector by offering loans for the rejuvenation of hotel parks. In Switzerland, a hotel construction embargo was only lifted in 1952.

The unexpected tourism boom in the era of reconstruction and economic recovery after the Second World War convinced the authorities of the Alpine countries that tourism development could be a tool for addressing the economic downturn in poor mountain regions. Development concepts and strategic plans were elaborated and implemented at national and sub-territorial level. Most of these 1960s policies still exist in Austria, France, Italy and Switzerland.

The extraordinary mountain development efforts in France are especially noteworthy. The French government's office for mountain research and planning commenced its efforts by initially assembling an inventory of possible sites for building *ex nihilo* purely functional ski resorts based on urban architecture. The goal was to enhance the economic potential of undeveloped mountain regions by attracting domestic and international visitors. The central government promoted the chosen places with legal and financial support.

This internationally unique mountain tourism implementation plan, the so-called "Plan neige", was successfully carried out. In only twenty years, the capacity to accommodate skiers in the French mountains quadrupled, with 150,000 beds created in more than 40 resorts. The plan was successfully put in action during the boom period of skiing which lasted until the early 1980s. It took place in a period of strong economic growth marked by significant inflation that helped reduce the financial impact of those developers who had to cover the capital costs of building the developments.

Around 1985, many municipalities commenced, assuming the lead role in managing these mountain developments. In most cases, this required additional and/or residual financing for the installation of basic infrastructure including cable cars. They acquired this financial support from public or semi-public banks in order to modernize or develop smaller ski resorts. It was at a moment when the boom in skiing demand was slowing down and ecological issues associated with alpine development became an alarming topic.

There is no doubt that state interventions were decisive in launching or revitalizing these mountain resorts. Regulative measures and financial support were incentives not only for private sector developers as well as municipalities to invest and to operate in mountain tourism resorts. Nevertheless, governmental measures alone are never sufficient and the sole factors for development initiatives. Their success depends on the existence of sufficient potential demand and positive economic framework conditions.

The French ski resorts were built during a period of booming ski tourism demand and economic growth. Governmental measures for promoting winter tourism always rely on the market forces and framework conditions. It is always more difficult to support a given industry during periods when demand is slowing and broader economic growth is decreasing. In such periods, government support often fails to make a difference.

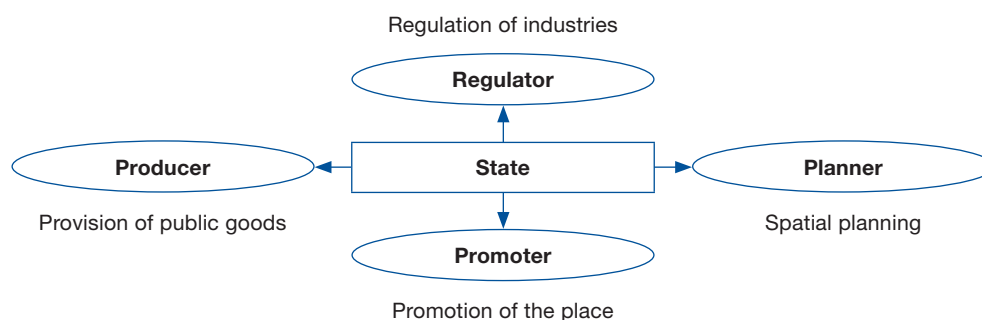
It is therefore important to analyze whether governmental interventions in mountain tourism are always justified from the point of view of the market order. There are doubts about the efficiency of industrial policy in market economies. Critics argue that they help maintaining structures which would not survive without the help of the public. The idea is that individual industries or sectors should not be promoted if the market does not allow for their survival. In other words, the state should only be concerned about the framework conditions and should avoid intervening in specific industries.

The market is neither social nor green. Welfare economists therefore consider that state intervention is justified when market failures or inadequacies lead to insufficient competition. In this case, the state would have to correct the market since it is not efficient in the economic sense. Left to its own devices, it would not lead to an optimum of social wellbeing. This is the case when resources have not been distributed or redistributed in a way the society that would consider adequate.

The market does not have a social commitment and often does not take into account the differences in economic development potential based on the given natural and manmade goods and resources that distinguish rich from less favoured areas. In this case, it can be considered the state's duty to redistribute the resources between different communities in its territory in an effort to bring the economic strengths and weaknesses of the regions into balance. These considerations are relevant for the development of mountain tourism which typically takes place in remote and often less developed regions which lack of self-development potential. They are the rationale for policy intervention in the field of tourism, showing at the same time that tourism policy is largely regional policy.

In practice, the impact of modern states goes far beyond the question of the promotion of places. States interfere in many individual spheres of life including civil society development and in questions concerning land and territories. In the field of tourism, states play a role as regulators of most of the mountain tourism related industries by controlling the granting of concessions and permissions to build and operate cable cars. The state also provides many public goods for mountain tourism such as infrastructure and natural parks. In addition, they play a key role in designating where and what forms of transportation and construction can occur in mountain regions. Effective and efficient state administrations are therefore an important success factor for mountain tourism development.

Figure 8.2 **The strong present state in the field of mountain tourism development**



Source: Keller (2014a).

8.6 Introduction to the cases

Innovative entrepreneurship, merger and differentiation are preconditions and strategies for resort destination survival in highly competitive markets. This is especially the case in small ski and mountain resorts in low elevation pre-Alpine regions. In the case of Valsassina, which is located close to the agglomeration of Milano, an innovative entrepreneur overcame the disadvantages of the small size by merging three smaller mountain resorts. He furthermore succeeded in

differentiating the supply by adapting the offer of each resort to the demand of different leisure sport participants and market segments. The first resort, situated at the highest altitude and offering the most attractive skiing area became a playground for learning and practicing downhill skiing in winter and mountain biking in summer. The second resort that is situated at a lower elevation specialized in cross-country skiing and snow shoe walking developed attractive snow fun parks for families. The third resort focuses solely on summer season offers and operates an adventure park.

The second case describes the benefits of public-private partnerships and the need for balancing growth with community quality of life requirements. Commercially successful mountain resorts require the support of local community residents to create the vitality and hosting culture needed to deliver exceptional experiences to guests. Consequently, ongoing collaborations are needed between tourism businesses and community stakeholders so as to ensure that growth and development occur within an agreed upon framework of priorities. A good example for such interactions is Whistler in British Columbia, Canada. Its governance system is guided by an innovative sustainability focused development policy that frames and guides all development decisions affecting the resort community's future directions. The policy also serves as a common platform for discussion and cooperation between public and private sector stakeholders. This extends to interactions between Whistler Blackcomb, the destination's mountain lift company and dominant tourism employer.

8.7 The case of Valsassina, Lombardy, Italy¹

Ski resorts within close proximity to urban agglomerations are essential for stimulating the population to learn and practice skiing and other related winter sports activities. Nearby mountains allow the urban population to escape from the smog of winter and the heat of summer evident in many urban centres. Innovative entrepreneurs have revitalized existing small mountain resorts of Lombardy in Italy in the adjacent northern regions of the City of Milan to meet the needs of resident urban populations. In this case study, an entrepreneurial acquisition and merger of local resorts, the management by a consolidated consortium and the creation of unique selling propositions for each of the alone areas, created success for the operator.

8.7.1 The framework conditions and weak points of smaller ski resorts in Lombardy

Several ski resorts are located in the Alps of Lombardy. They all face the competition from Italian and foreign neighbouring ski areas that are better organized and often at a higher altitude. Many of these resorts are small and located at mid or even low altitude with uncertain snow conditions. Since the Alpine ski market in Western Europe has reached maturity, Lombardy's ski resorts risk becoming marginal and struggle to operate profitably.

1 Macchiavelli (2013).

Table 8.1 Diversification of three resorts managed by ITB in Valsassina

Resort	Altitude	Facilities	Target
Piani di Bobbio- Valtorta	1,600 – 2,200 m	35 km of ski slopes, one cable car, four chair lifts, three ski lifts, snow park area, bike park in summer, sports equipment rental, bars, restaurants, mountain huts	Skiers in winter, hikers and mountain bikers in summer
Piani d'Artavaggio	1,650 m	One cable car, fun snow area, tobogganing, Nordic skiing and snowshoeing tracks, sports equipment rental, bars, restaurants, mountain huts	Families, Nordic skiers and snow shoeing and hiking
Piani d'Erna	1,300 m	One cable car (open all year for residents), no snow activities, adventure park, tubing, mountain fitness, bars, restaurants, mountain huts	Hikers in summer and winter, families in summer

Source: Own elaboration, based on Macchiavelli (2013).

Lombardy's ski resorts all offer basically the same kind of product. They have not adapted to the market changes of the last decades. They have not shifted their operations to reflect the realities of changing consumer preferences and behaviours, the saturation of the demand, and specialization and diversification processes that shape supply in most advanced resorts.

The gap between the big and the small ski resort developments has widened in recent years. Large mountain resorts offer a large variety of facilities to meet the needs of a broad ranging set of visitors. Small resorts cannot copy this strategy. Their size restricts the possibilities of development and the influx of additional resources in terms of capital and manpower. Nevertheless, innovative entrepreneurs of cable car installations and ski resorts have been successful in identifying unique selling propositions which strengthen their market position.

Many mountain resorts were originally built for skiing. Nowadays, a great variety of new winter and summer leisure activities are used to attract enough visitors to keep operations profitable. Besides traditional cross-country skiing and ski touring, new winter leisure sports such as snowshoeing, hiking on snow trails or snow kiting have become popular. There is also an increasing number of non-skiers who visit resorts for shopping, spa, sightseeing and gambling opportunities. During the summer season, new leisure sports activities stimulate the demand for smaller mountain resorts near urban centres. A survey in three resorts showed that hiking under four hours and rock climbing are increasingly popular pursuits. Various forms of mountain biking also continue to grow in market presence.

Table 8.2 Diversification of snow leisure sports activities according to a survey conducted by University of Bergamo, 2011 (%)

Alpine skiing	51%	Cross country skiing	18%
Ski mountaineering	25%	Snow boarding	9%
Snow shoes	22%	Others	8%

Source: Macchiavelli (2013).

8.7.2 Leveraging market proximity: the case of Valsassina

The pre-Alpine mountains of Lecco are situated a little more than an hour from Milano, an urbanized area of approximately 5 million inhabitants. An estimated 10 million potential visitors reside within a one and a half hour drive from this region. There are three ski resorts around this mountain range in the Valsassina Valley. Only 15 years ago, they were considered too small to compete with larger and better equipped resorts, too low in altitude to be able to guarantee snow conditions conducive to winter sports, and too poorly financed to establish a sufficient number of snowmaking installations. There are only 10 hotels, albeit numerous secondary homes in the valley.

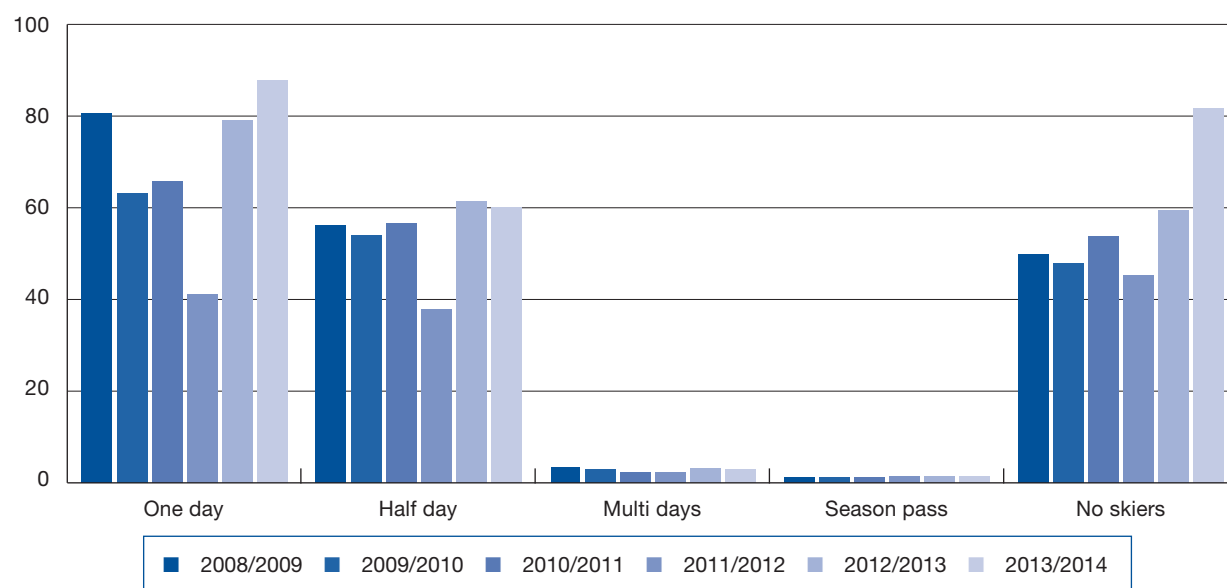
However, the local mountain range is very popular with metropolitan Milano people who enjoy going to mountains to ski. Since 2006/2007, all the lifts in the three resorts have been managed by one company (Imprese Turistiche Barziesi – ITB). It developed and implemented a transformation and development plan based on two main strategies: functional diversification and a strong reliance on the proximity market.

Depending on the elevation and existing facilities, each of the three resorts was dedicated to a different customer target group. Before the transformation and the repositioning occurred each of the three resorts operated several lifts and slopes. Later on, skiing was concentrated in only one resort (Piani di Bobbio – Valtorta). It continued to manage an attractive number of slopes and services. The other two resorts provided facilities mainly aimed at families wishing to enjoy summer holidays in the mountains. The specialization of the resorts and the diversification of the three resorts under the umbrella of ITB allowed for realizing economies of scale and scope.

All three resorts depend on access to proximity market. They focus their business on weekend visitors and operate all lifts and cable cars and lifts during that period. The limited opening hours during the week allow the company to reduce costs in terms of manpower and energy for the sake of increasing profitability. The statistics of the winter seasons' ticket sales between 2008/2009 and 2013/2014 highlight the prevalence of ticket sales for one or half-day stays. This matches the needs of typical proximity markets.

The data also demonstrate the high dependency on the snow conditions. In the season 2011/2012, the lack of snow led to a strong decline in ticket sales. Furthermore, it highlights the high number of non-skiers during the winter season. A reasonable explanation for these elevated figures is that non-skiers are using these destinations as venues with prevalent winter fog in the Milano regions. The resorts offer greater probability of excursions and short stays in sunny and clear areas above the urban mist.

Figure 8.3 Ticket sales in winter season in Piani di Bobbio showing the high dependency of day-trippers, 2008–2014 (x 1000)



Source: ITB.

To meet the demand from proximate markets, customer-oriented transportation is provided. Every Saturday and Sunday from 07.30 in the morning, “snow buses” (Italian: *Bus della neve*) depart from the centre of Milan to reach the ski slopes of Piani di Bobbio in about 90 minutes. A similar service is provided in the summer as attractive day trip packages. These are promoted to potential customers by various social media channels including Twitter and Facebook.

Figure 8.4 Promotion for the green and winter season for Piani di Bobbio and Piani d’Erna



Source: Piani di Bobbio.

8.7.3 Conclusion

The integrated corporate approach for the three resorts and the differentiation of their products have successfully repositioned the destinations. Focusing on the proximity market of Milan, designing customer-oriented transportation, and promoting the different products for weekend excursionists have turned out to be a fruitful approach for attracting visitors and reducing costs. Nevertheless, ITB is still vulnerable to unreliable snow conditions, a fact that is visible in dropping winter season sales in 2011/2012. Ironically, the reorientation towards a stronger summer season is leading to greater budgets for financing a modernized lift park.

8.8 The case of Whistler, British Columbia, Canada²

Whistler, British Columbia, Canada, is one of North America's leading and most innovative mountain tourism destinations. Its principled but adaptive governance system is guided by a desire to attain an optimal level of growth that accommodates the economic and market driven requirements of business, and supports the quality of life concerns of local citizens. Achieving this balance has always required a unique mix of public-corporate governance collaborations. This case study explores the evolution in governance and policy priorities that Whistler's community and commercial stakeholders have forged since its inception as a purpose-built tourism resort community in the mid-1970s.

8.8.1 General framework conditions

Whistler is located approximately 125 km north of Metro Vancouver, Canada's third largest metropolitan centre (2.47 million in 2014), and home of the country's second busiest domestic and international airport. This proximity provides the destination with a strong regional market of guests and easy access to a transport network connected to most North American and International markets.



Image of Whistler Village adjacent to Whistler and Blackcomb Mountains.

Source: Peter Williams, Simon Fraser University.

Whistler's valley lands and Pacific Coastal Mountains dominate the destination's geographic landscape. Within its boundaries are 12,630 ha of valley lands containing discretely planned clusters of commercial, residential, and community recreation development. The most prominent of these clusters is Whistler Village, the resort community's purpose-built commercial core and tourism staging area. The Village and all of the other clusters are linked by a system of walking and biking trails to 19 natural parks containing protected forests, wetlands, and

six lakes. About 80% of the valley lands are set aside as natural areas. All land use development and management activities in this area is controlled by the the Resort Municipality of Whistler

² Williams (2013).

(RMOW). Development on surrounding lands not within Whistler's boundaries is controlled by the Provincial Government of British Columbia in cooperation with the Squamish-Lillooet Regional District.

Reaching skyward from the Village are Whistler and Blackcomb mountains. They reach from the valley floor (675 m) to a peak of about 2,436 m. Despite this relatively low elevation, extensive skiable terrain is normally available for public use from late November through mid-May with some glacier skiing extending year round. During the winter season, average annual snowfall approximates 10–11 m on the mountain slopes. All on-mountain site management activities are administered by Whistler-Blackcomb (WB) according to provincial government Acts and Policies.

8.8.2 History of Whistler's development

While Whistler's emergence as a tourism destination commenced in 1914 with the development of a summer recreational fishing lodge on a nearby lake, the region's potential as a mountain tourism resort only surfaced in 1964. This occurred when four entrepreneurs chose it as a site to develop skiing. Their dream was to create a ski area development capable of hosting the 1968 Winter Olympic Games. While their Games' Bid was not successful, they moved forward and created the Garibaldi Lift Company in 1965. The newly born resort opened its doors to skiers for its first winter season in 1966/1967. As demand for the ski area's facilities expanded, so did the growth of relatively unplanned and random forms of residential development. Partially in response to this situation, as well as in recognition of the growing opportunities that skiing revenues could bring to the region, the British Columbia government enacted the Resort Municipality of Whistler Act in 1975. This unique legislation provided the area with unprecedented legal status as a 'resort municipality', as well as revenues and financial incentives to create a comprehensive, integrated and innovative form of resort-community development. This led to the election of a Mayor and Council, as well as the creation of Whistler's first Official Community Plan (OCP). The OCP identified objectives and policies that would guide the local Council on planning and development issues. It also outlined how initial private sector investments in the ski facility infrastructure would be rewarded with real estate development rights within the Municipality. At the time of the OCP's installation, only a limited level of privately financed on-slope ski area development was in place, and it solely existed on Whistler Mountain.

Recognizing the uniqueness and appeal of Whistler's European-inspired village plan, as well as the new resort community's spectacular setting, in 1980 other investors launched another ski development on neighbouring Blackcomb Mountain. Ensuing competition between the two privately owned ski area companies fuelled extensive investments in both on-slope skiing infrastructure and complementary off-slope hospitality services. It also created a surge in real estate development by other entrepreneurs attempting to 'ride the wave' of market demand for the Whistler experience. The resultant growth in both facilities and visitor satisfaction ratings eventually led the media in the United States of America to recognize Whistler as one of North America's leading mountain winter destination resort throughout most of 1990s and well into the 2000s.

After several years of fierce competition, Whistler Mountain's ski operations were acquired in 1997 by Intrawest Corporation, the owner of Blackcomb Mountains operations. The combined mountain operations were subsequently rebranded as Whistler-Blackcomb (WB) and eventually

repositioned as the flagship resort in Intrawest's strategic acquisition of several other North American winter resorts. To maximize revenue generating potential at these resorts, Intrawest embarked on an extensive programme of strengthening its mix of on-slope winter products and services, as well as developing a range of other non-winter season pursuits. In WB's case, this included two 'game-changing' innovations. In 1998, a world class system of mountain biking trails and facilities was introduced. These mountain biking facilities now draw over 100,000 enthusiasts annually to Whistler Blackcomb's lifts and slopes.



The Whistler Blackcomb bike park.

Source: Peter Williams, Simon Fraser University.

In 2004, WB installed an iconic high altitude "Peak to Peak" cable car system. Traversing the 4.4 km valley separating the two previously competitive Blackcomb and Whistler Mountain operations, this facility attracts thousands of skiers and other tourists on a year round basis. These two innovations helped firmly position WB as a truly four-season mountain playground.

Complementing these on-slope initiatives, the RMOW also pursued two strategic season diversifying initiatives. In the mid-1990s it established Whistler's first off-slope bike park. Reflecting advances in equipment technologies and changes in riding styles, in 2015 the park was re-engineered and repositioned as a multisport venue accommodating skateboarding, in-line skating, flowriding and BMX enthusiasts.

In 2012/2013 the RMOW collaborated with community cultural, tourism and aboriginal stakeholders in the development of a comprehensive Cultural Tourism Plan. Inspiration for this Plan came from Whistler's impressive hosting of an elaborate cultural festival (Whistler!) staged in the Village during the 2010 Winter Olympic Games. Designed to enhance and showcase the community's cultural vitality and capacity, its implementation has created extensive community and commercial business 'buzz' throughout the year. The Plan's extensive portfolio of year-round festivals and events are creatively tied to events focused on sports (e.g., Iron Man, Test of Metal, etc), gastronomy (e.g., Cornucopia, Wine Festival, etc.), and the arts (e.g., music, film, writing). These programmes have demonstrated their power to not only create community social capital, but also inject re-energized vitality into the Village throughout the year.

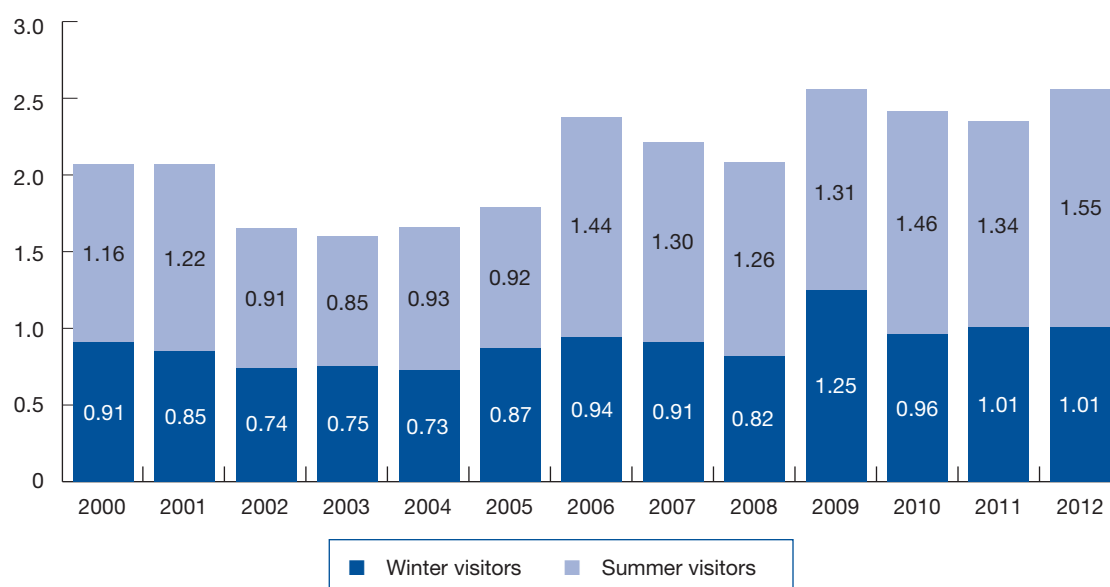
8.8.3 The Whistler tourism system

Whistler's tourism system is comprised of three dominant government, not-for-profit and private sector organizations. While each has specific legal mandates and responsibilities, their leaders meet regularly via an informally constituted forum referred to as 'Whistler One'. The forum members provide each other with collective updates on emerging strategic issues, opportunities, and priorities for potential collective collaboration and action. The meetings also help reduce potential frictions, redundancies, and misunderstandings that might occur if the organizations were less connected.

The RMOW is the lead government agency. Its elected Mayor and Council are responsible for policy decisions affecting taxation, spatial land-use, development and budgetary priorities for the resort community. Key tourism stakeholders for the RMOW include Tourism Whistler, Whistler Blackcomb, other commercial accommodation and hospitality suppliers. In addition, RMOW addresses the health, safety and quality of life requirements of Whistler's population of about 9,824 permanent residents, 2,754 seasonal residents, and 11,522 second home owners (2014).

Tourism Whistler (TW) is the destination's lead marketing and sales organization. It is directed by a hybrid Board of Directors comprised of a RMOW representative and elected members of Whistler's tourism industry. TW's overriding functions include coordinating the branding and positioning of the resort as a four season mountain tourism destination, and generating business for Whistler's tourism providers. It operates as a not-for-profit business funded by a variety of sources. These include compulsory fees gathered from Whistler's tourism and hospitality service suppliers (7,000 members), as well as revenues gained from provincial hotel sales taxes, accommodation reservation services, and its operation of community-owned golf course, cinema, and conference facilities. While its marketing and management activities are destination-wide, TW takes the leadership position in marketing Whistler's off-mountain assets, and assumes more of a supportive role in WB's on-slope promotional activities. Despite the lingering market effects of the global recession in 2008, TW's initiatives have been pivotal in helping attract more than 2 million visitors annually over the past few years. In 2012, this visitor flow topped 2.56 million visitors, a level competitive with North America's leading mountain resort destinations. For over a decade, more than half of Whistler's visitors have been summer guests. Despite this situation, the largest share of annual revenues originates from winter visitors.

Figure 8.5 Distribution of Whistler annual visitor flows



Source: RMOW (2013).

The RMOW and TW collaborate closely with WB, the destination's largest employer and most dominant tourism attraction. Since 2010, WB has operated as a publicly traded company with

Whistler Blackcomb Holdings being its largest (75%) and controlling partner. The company's appointed Board of Directors is drawn primarily from beyond Whistler, and the company's operations are administered by a management team largely living in the resort community.

While WB collaborates with TW on many initiatives, its primary focus is on marketing its own attractions and facilities. It is particularly active in positioning WB as Whistler's dominant winter attraction. This marketing includes controlling its own reservation system. WB has attracted more two million skier visits annually to its slopes in recent years. This compares favourably with performance levels achieved by a select few of North America's leading resorts.

From an infrastructure management perspective, WB's on-slope activities extend across 3.307 ha of tenured Crown land. This terrain accommodates 200 slopes offering a mix of intermediate (55%), advanced (32%), and easy (13%) skiing and snowboarding options. Visitors access these slopes via 39 lifts (e.g., gondolas, chairs and tows) that are collectively capable of handling about 65,500 skiers per hour. To manage the ecological footprint of these operations, WB employs a comprehensive environmental management system. It includes pro-active programmes for increasing solid waste, water and energy eco-efficiency, as well as maintenance practices that respect the ecological integrity of the area's natural habitats. From an off-slope perspective, WB participates in a variety of community based social and environmental activities. Often its involvement occurs as contributions in kind (e.g., equipment, technical advice, equipment, labour, etc.) support ongoing community organizations. This extends to playing an influential role in helping shape Whistler's award winning Whistler 2020 sustainability strategy.³

8.8.4 Adapting governance for resort sustainability

Since its inception, Whistler's hybrid governance model has involved collaborations between government, private sector and not for profit stakeholders. In the initial 15 years of development, private sector developers and decision makers who could ignite investment and development dominated governance action. Their decisions led to the design and marketing of the initial purpose-built Whistler Village dream. By the mid-1980s their activities had gained such marketplace attention that development was happening at a seemingly uncontrollable rate. By the early 1990s, this led to a more bureaucratic governance approach that prescribed an innovative 'bed-unit' cap on Whistler's growth. An unintended repercussion of this policy was a rapid increase in housing prices that kept affordable resident accommodation beyond the reach of most Whistler employees. In response to this situation, Whistler's Mayor and Council embarked on the development of a community and consensus-based policy that shifted governance priorities towards broader community quality of life as opposed to solely growth management goals. After almost four years of engagement with local residents, businesses, and non-governmental organizations, in 2005 the local government adopted *Whistler2020* as its highest policy document. *Whistler2020* identified a vision, principles and priorities intended to move Whistler towards a more sustainable future. Its priorities included a balance of actions designed to enrich community life, create unique resort guest experiences, protect the environment, nurture economic prosperity, and encourage community stakeholders' collaborations. Despite the challenges of many socioeconomic and political stressors along the way, *Whistler2020's* guiding frame remains embedded in the RMOW's

3 RMOW (2007).

business plans and is used to help guide development decisions. For instance, in preparations for co-hosting the 2010 Winter Olympic Games, *Whistler2020* priorities were creatively used to leverage locally important affordable housing, civic space, conference centre, and public transit benefits that aligned with the host Games Organizing Committee. Without *Whistler2020*'s policy being in place, it is quite likely these benefits would have never surfaced. Similarly, in the aftermath of the Games, community and business leaders have shifted attention to *Whistler2020*'s economic priorities supporting the resort community's journey towards longer term sustainability and prosperity.

8.8.5 Conclusion

Whistler has gradually evolved its governance system through phases of growth, growth management and sustainability-focused management. Its current hybrid and entrepreneurial corporate-community governance model includes a wide range of public, corporate and not-for-profit stakeholders in decisions affecting the resort community's long term sustainability and prosperity. The presence of its overriding *Whistler2020* strategy helps decision makers filter through options with a more systematic, rational, and longer viewing lens. By doing so, a more balanced and dynamic approach to decisions affecting the longer quality of life, prosperity and resilience of the resort community emerges.

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Recognizing the potential of mountain tourism for driving the socioeconomic growth and development of local communities, this publication presents a summary of the information generated at UNWTO's mountain tourism events (i.e. World Congress on Snow and Mountain and Euro-Asian Mountain Tourism Conference), including a systematic definition of mountain tourism.

In addition, it gives an overview of the development of mountain tourism in different parts of the world over time, and the recent structural changes affecting this segment as a result of new market patterns.

The **World Tourism Organization (UNWTO)**, a United Nations specialized agency, is the leading international organization with the decisive and central role in promoting the development of responsible, sustainable and universally accessible tourism. It serves as a global forum for tourism policy issues and a practical source of tourism know-how. Its membership includes 158 countries, 6 territories, 2 permanent observers and over 500 Affiliate Members.



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