

**Jonathan Schechter – “Corpus Callosum” Column**  
**Jackson Hole News&Guide– April 4, 2012**

Two weeks ago, I gave a talk in Park City. While there, I had several conversations with people knowledgeable about trends in the resort industry. Today I'd like to juxtapose some things I learned with a couple of items from last week's *News&Guide*: The Chamber of Commerce's attempt to have Jackson Hole recognized as a world-class sustainable tourism community; and local tourism promoters' stepped-up efforts to attract foreign visitors.

Perhaps the most interesting tidbit I picked up in Park City was the fact that, over the last few years, thousands of new luxury lodging rooms have opened in western US resorts. Some of these are hotel rooms; others are hotel-based condo units which double as short-term rentals.

These rooms were developed because, many years ago, resort operators identified a market opportunity in luxury hotels. Because a lot of people saw the opening at the same time though, by the time the development process played itself out, the region had seen an estimated doubling of luxury lodging rooms. As a further result, there's now arguably a glut of such rooms – not necessarily at any one resort, but certainly industry-wide.

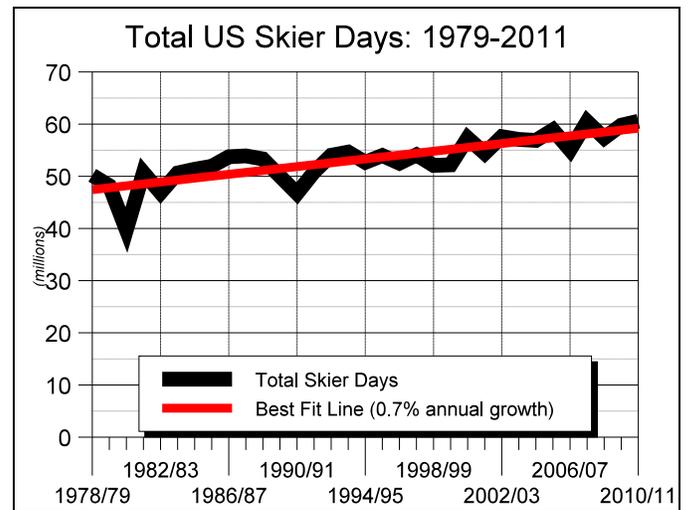
Why did so many resorts want to develop high-end units? The answer stems from the most fundamental fact facing the ski industry: The number of skiers and snowboarders isn't growing. Specifically, since 1979, the number of skier days has been stagnant, growing at a compounded annual rate of under one percent. (Graph 1)

Especially in capital-intensive industries such as skiing, such slow growth is unacceptable. So how could ski areas grow revenues faster than skier days? There were basically three options:

1. Consolidate. Hence the disappearance of mom and pop ski areas, and the emergence of a few dominant players owning many resorts (e.g. Vail Resorts).
2. Steal customers from competitors. Hence marketing gimmicks like this winter's portable billboard in Colorado, urging skiers to come to Jackson Hole.
3. Extract more money from each skier.

The ski industry's primary focus has been option #3, and the result has been a “race to the top” between major ski areas. Resort operators are smart business people, and long ago they realized the only way to significantly grow revenues was to follow Willie Sutton's advice and go where the money was. This meant focusing on high-end skiers; charging them high-end prices for not just lift tickets, but the entire “vacation experience” of lodging, dining, shopping, spas, instruction, and any other service they might desire.

The result has been an arms race of sorts, with resorts doing all they can to attract the well-to-do. In practice, this has meant resort A has countered resort B's new high-speed lift with one of its own, while resorts C and D duke it out with new hotels or base village complexes or what have you.



Ultimately, this has led to all major ski resorts adding the same basic amenities and, in so doing, coming to resemble one another. And while building such amenities was clearly the right business tactic for any one resort, when combined with the recession, the result of all these individual actions has been a collective problem: industry-wide, there are now too many high-end amenities for the number of high-end skiers.

What to do? Two solutions suggest themselves. One is for ski areas to emphasize summer activities, which resorts around the country are doing in spades. Jackson Hole obviously has a huge leg up in this arena, for no other American ski resort abuts a national park.

The other solution is to lure high-end tourists – whether summer or winter – from other countries.

Hence the efforts to attract more foreign tourists to Jackson Hole. According to last week's *News&Guide*, local tourism advocates are aggressively stepping up their foreign outreach efforts, aided by funding from the Jackson Hole Travel and Tourism Board.

What the article didn't mention, though, is that this strategy is such a no-brainer that other communities are making similar efforts, the latest twist in the "race to the top" competition between resorts.

The article also didn't mention that such efforts – whether by Jackson Hole or other premier resorts – are pretty much a necessity at this point. The reason is basic economics: Because of the "race to the top," resorts need to lure in lots and lots of well-heeled visitors.

A generation or two ago, it was sufficient for Jackson Hole and its competitors to simply bring in as many tourists as possible, without regard to how much they spent. Today though, there is so much high-end infrastructure baked into premier resorts' balance sheets that the only way their investments can pencil out is if they bring in not just a large number of tourists, but a large number of high-end tourists. People of lesser means are welcome of course, but the ones who matter are those of greater means.

Which leads us to the Chamber's efforts to have Jackson Hole designated as one of the world's leading sustainable tourism communities.

One of the more enlightening conversations I've ever had about tourism marketing was with a friend from New York who wanted to bring his family to Yellowstone. In so many words, he said "Which gateway town should I come into? They all look pretty much the same to me."

That comment captures the essential challenge facing resorts throughout the Rockies: From thousands of miles away, every ski area looks pretty much the same. Ditto every national park gateway community.

In such an environment, how can Jackson Hole meaningfully distinguish itself from any other place? We've tried the high-end amenity route, but between a limited supply of high-end customers and the fact that high-end amenities can easily be replicated elsewhere, that strategy has essentially run its course.

So onto the next thing. In our case, it would be great if Jackson Hole does become one of the world's first certified sustainable resort communities, for that will give us a distinction other resorts won't be able to replicate for a while.

But let's not deceive ourselves – replicate it they will. Regardless of the bleatings of climate change deniers and "drill baby drillers" and everyone else who vilifies conservation, the simple reality is that such anti-environmentalists are on the wrong side of science: social, natural, and physical. This is because they can't

deny or wish away a fundamental fact: There are 7 billion people on earth who consuming ever-increasing amounts of resources. As a result, it's inevitable that, with or without government action, a combination of environmental realities and market forces will force communities to become increasingly sustainable. And well before that happens, Jackson Hole will have lost its status as one of a handful of "sustainable resort communities," for every other resort will have been forced to do the same. Such are the dynamics of the "race to the top."

In that context, the only meaningful distinction Jackson Hole can ever hope to maintain is the quality of our natural world: our landscapes, vistas and, most critically, wildlife. Put bluntly, Jackson Hole's environment is its economy, for our economy can never be healthier than the land, air, water, and habitats which surround us.

As technology improves and it becomes ever-easier for one place to replicate another, the environment will prove to be only quality Jackson Hole possesses which no other place can replicate. And if we can avoid screwing it up, the environment will provide us with not just a meaningful competitive advantage today, but one which will become increasingly important over time. This is Jackson Hole's foundational economic reality, and it's one we ignore – or even take for granted – at our peril.