The Future of Chinese Ski Tourism

Experiences with the development of ski resorts
TABLE OF CONTENTS

1. CURRENT STATUS OF THE SKI TOURISM INDUSTRY IN CHINA
   KEY DATA 3
   GEOGRAPHIC LOCATION 4
   THE MAIN SKI AREAS 7

2. CHALLENGES TO THE DEVELOPMENT OF A SKI TOURISM INDUSTRY 8

3. FIVE HISTORICAL CASES OF SKI RESORT DEVELOPMENTS 12

4. DEVELOPMENT TRENDS 17

5. CONCLUSIONS 18
3 main areas:
Beijing/Tianjin/Hebei
Northeast
Xinjiang

Number of “resorts”
523
(CSRE 2013)
of which
- 1 or more chairlifts: 61
- vert. drop > 300 m: 11
- total n. detachable lifts: 12

Skier/days
16 million (2012/13)
12 million (2009/10)
5 million (2006/07)
(source: CSA)

Provinces with ski facilities
24 / 31
(12/13 CSA)

KEY DATA: SKI TOURISM IN CHINA

SKI FACILITIES, MOSTLY VERY BASIC, SPREAD ALL OVER THE COUNTRY FAR AWAY FROM THE WEALTHY EAST COAST (BEIJING EXCEPTIONED)
The relatively backward Northeast is trying to develop into a ski and winter tourism destination, attracting new investments and upgrading or privatizing existing facilities to build comprehensive destination resorts. Main target group are tourists from the rich coastal regions looking for a once-in-a-lifetime experience. Limited snowfall and vertical drop, extremely harsh weather conditions and the distance from the main customer base have so far been a strong drawback.
* **BEIJING AREA**

Cradle of recreational skiing

- 23 city resorts in Beijing (1999 - 2008), some of them benchmarks nationwide
- 5 destination resorts in Chongli, Hebei (2000 - today)
- 2 destinations within 300 km (catering for the region)
- 6 city resorts in Tianjin (locals only)

Private (some foreign) investments
Commercially oriented
Close to the customer base

Beijing (and the adjacent Tianjin and Hebei) is the only economically developed region in China where natural conditions for skiing exist. Between 1999 and 2008, more than 20 privately invested city resorts opened on the city’s outskirts to provide an introductory experience for locals and visitors alike. Slightly later, a cluster of destination resorts started to appear at Chongli, a mountainous area 220 km northwest of Beijing, mainly catering to weekend and holiday visitors. Beijing is now the trendsetter for the ski industry, a “ski movement” starting to take shape.
XINJIANG
The “New Frontier” of ski tourism

- 7 ski resorts in the Urumqi area
- some new developments all over the region
- several major destination resorts planned or in the making

Local communities have traditional familiarity with winter sports (comparable to the Northeast).
The central and local government both actively promote the economic development of the region by granting preferential policies for investments.
Xinjiang will host the next National Winter Games (2016) in a strife to promote itself as a winter destination.
Natural conditions make it the only region in China where international level ski resorts can actually be developed.

Xinjiang presents ideal natural conditions for the development of ski resorts: relatively abundant snowfall, excellent vertical drop, beautiful landscape and cold but comfortable temperatures due to the absence of persistent winds in winter.
Drawbacks are the negligible size of the local market and the distance from the wealthier eastern regions and the political instability.
The Shenyang cluster:
7 ski areas located around this 8 million city

The Shandong cluster:
12 micro-resorts in and around Jinan (population: 6 million)

Funiushan (Henan):
the biggest destination resort in this most populous Chinese province (population: 113 million)

Shennongjia (Hubei):
the first destination resort not in North China (2005)

Xiling Mountain (Sichuan):
the most popular (1.2 million visitors in season 2012-2013)

Shangri-La (Yunnan):
at the foot of the Himalayas

In most of the Chinese provinces or regions some sort of ski resort is to be found. With very few exceptions (see above), most are small operations on the outskirts of major cities, catering to local communities who have never “seen the snow”. Some are located in city parks, some in the southern part of the country where operations may last, depending on weather conditions, less than 1 month per season.

6 ski domes are to be found in several locations, with many more in the planning.
CHINA’S RAPID ECONOMIC GROWTH HAS NOT BEEN MATCHED BY GROWTH IN CONSUMPTION.
TOURISM, AND PARTICULARLY SKI TOURISM, IS A CLEAR EXAMPLE OF THIS FACT.

GROWTH OF DOMESTIC TOURISM REFERS TO PASSIVE SIGHTSEEING TOURS TO KNOWN AND WELL-ADVERTISED DESTINATIONS WHERE “EVERYBODY HAS TO GO”.

VACATION, LET ALONE ACTIVE VACATION, IS STILL AN ALMOST UNKNOWN CONCEPT IN CHINA.

GENERAL LEVELS OF PARTICIPATION IN ACTIVE SPORTS ARE EXTREMELY LOW, REGULAR PRACTICE EVEN LOWER. THE INTEREST IN OUTDOOR ACTIVITIES AND NATURE IS VERY LIMITED.

SKIING IS SEEN AS AN ELITE ACTIVITY, ECONOMICALLY OUT OF REACH FOR MOST CHINESE.

TRADITIONAL SALES AND MARKETING CHANNELS FOR TOURISM PRODUCTS ARE LIMITED TO STANDARD OPERATORS, WITH NO KNOWLEDGE OF SKI OR SIMILAR ACTIVITIES.

SKIING IS CULTURALLY COMPLETELY UNKNOWN TO MOST CHINESE: IT IS CONSIDERED HIGHLY DANGEROUS, DIFFICULT, EXTREME, PHYSICALLY CHALLENGING.

SKIING IS SEEN AS A ONCE-IN-A-LIFETIME EXPERIENCE AND NOT A REPEAT ACTIVITY. ACCORDING TO A SURVEY, LESS THAN 20% OF FIRST-TIME SKIERS COME BACK A SECOND TIME.
A NEGATIVE EXPERIENCE

IN MOST CASES, FIRST-TIME SKIING IS A NEGATIVE OR EVEN TRAUMATIC EXPERIENCE:

- IT TAKES TRAVEL TIME
- IT IS VERY EXPENSIVE
- TIME IS LOST ON EQUIPMENT RENTAL ETC.

MOST CHINESE GET ACQUAINTED WITH SKIING FOR THE FIRST TIME IN CONDITION OF ABSOLUTE IGNORANCE ON THE MATTER, IN ONE OF THE COUNTLESS MICRO-RESORTS ON THE OUTSKIRTS OF A BIG CITY.

- RESORT FACILITIES TEND TO BE VERY LOW STANDARD
- SERVICE LEVEL IS MOSTLY VERY BAD AND INCOMPETENT
- BOOKING, TICKETING, EQUIPMENT RENTAL AND OTHER PROCESSES ARE INEFFICIENT AND TIME CONSUMING
- GENERALLY VERY BASIC

THE CITY RESORTS ARE MOSTLY BUILT IN UNAPPEALING LOCATIONS, FAILING TO TRANSMIT THE BEAUTY OF A MOUNTAIN ENVIRONMENT
- THE ARTIFICIAL SNOW CONTRASTS WITH THE USUALLY SNOWLESS GREY SURROUNDINGS
- CUSTOMERS DON’T KNOW WHAT TO EXPECT AND LEAVE WITH THE IDEA THAT “THIS IS SKIING”.

MORE THAN 80% OF FIRST-TIME SKIERS HAVE NO INTEREST IN REPEATING THE EXPERIENCE.
THE GOVERNMENT REPRESENTS THE SINGLE BIGGEST CHALLENGE

- IT GRANTS THE LAND FOR THE PROJECT
- IT MAY FACILITATE ALL NECESSARY PERMITS ETC.
- IT MAY GRANT PREFERENTIAL POLICIES, FINANCING, BUILD INFRASTRUCTURE, TAX HOLIDAYS AND ANY KIND OF SUPPORT IF THE RELATIONSHIP IS WELL CARED FOR.
- IT MAY SUPPORT THE RESORT BY HOSTING BIG EVENTS, ENTERTAINING GUESTS THERE, PROMOTING IT.
- IT MAY GRANT EXCLUSIVITY TO THE PROJECT TO AVOID COMPETITION

- IT MAY CREATE DIFFICULTIES RE. LAND USE
- IT MAY CHANGE ITS MIND RE. PREFERENTIAL TREATMENT
- IT MAY INTERFERE WITH NORMAL BUSINESS OPERATIONS
- IT MAY FORCE THE RESORT TO HOST COSTLY EVENTS, HOST GUESTS ETC. WITHOUT TAKING THE BILL AT THE END
- IT MAY FORCE YOU TO EFFECT INVESTMENTS REGARDLESS OF THE ACTUAL MARKET NEEDS
- Serious lack of local talent in the industry
- General lack of competence at all levels
- No communication with the international community
- Difficult relationship between governing bodies (CSA...) and operators
- Lack of specific legislation and regulations, no quality and safety standards
- Little coordination among the various resorts
- Fierce competition, especially among resorts in the same area and mostly about price
- No concerted action to raise the public’s knowledge of skiing, to create a ski movement and culture
- With few exceptions, local communities are only marginally involved with the resorts
- General investor behaviour: expecting quick returns which do not materialize. No long-term commitment
- Limited vision: many ski resorts do not provide anything other than skiing

- Decision makers have no competence and are often advised by people with no competence.
- Competent people are not part of the decision making process
- Targets are often set according to political needs
- Investors have no way to set their objectives or to challenge what is proposed to them or asked from them
YABULI WINDMILL RESORT

1982: THE LOCATION OF YABULI IS SELECTED BY THE CHINESE SPORTS COMMISSION TO BE DEVELOPED INTO A COMPETITIVE DOWNHILL SKI LOCATION

1995: A NORTH AMERICAN PLANNING CO. ASSISTS THE LOCAL GOVERNMENT ON A MASTER PLAN TO UPGRADE THE LOCATION IN ORDER TO HOST THE ASIAN WINTER GAMES

1996: AN INVESTOR, IN AGREEMENT WITH THE LOCAL GOVERNMENT, DECIDES TO BUILD A DESTINATION SKI RESORT (FIRST IN CHINA) NEXT TO THE GOVERNMENT-OWNED FACILITY TO TAKE ADVANTAGE FROM THE EVENT. A SKI AREA, LODGE, HOTEL ETC. ARE BUILT.

1997: THE ASIAN WINTER GAMES ARE HELD AT THE GOVERNMENT-OWNED RESORT, WHOSE FACILITIES HAVE BEEN UPGRADED WITH PUBLIC FUNDS

1998-2007: WINDMILL FAILS TO ATTRACT SKIERS AND IS SOLD SEVERAL TIMES TO DIFFERENT INVESTORS, BEFORE BEING SOLD TO MELCO CHINA.

2007 - 2009: AFTER HEAVY INVESTMENTS, MELCO CANNOT SUSTAIN THE PROJECT FURTHER AND WITHDRAWS.

SINCE 2011, IT IS MANAGED BY CLUB MED UNDER THE NAME OF “SUN MOUNTAIN”

2 COMPETING RESORTS (GOVERNMENT-OWNED VS SUN MOUNTAIN) AT THE SAME LOCATION, CONFUSING THE MARKET.

THEY ARE INDEPENDENT FROM EACH OTHER (DIFFERENT SKI PASSES, NO COOPERATION ETC.)

THE PRIVATELY-OWNED RESORT IS SUPERVISED BY THE GOVERNMENT AND THEREFORE IN A POSITION OF DISADVANTAGE

OTHER SMALL RESORTS FOR BEGINNERS AT THE SAME LOCATION CONFUSE THE MARKET EVEN MORE
JUNDUSHAN SKI RESORT, BEIJING
THE RESORT OPENS IN 2002 AT A LOCATION 30 KMS NORTH OF DOWNTOWN BEIJING.
IT OFFERS SKIING (INCL. NIGHT SKI) AND ALL RELATED ACTIVITIES, ACCOMMODATION, SEVERAL RESTAURANTS, SHOPPING AND SOME SUMMER ACTIVITIES.
SNOW SEASON IS SHORT (APPROX. 60 DAYS/YEAR) AND THE RESORT IS VERY SMALL (TOTAL SLOPE LENGTH ARD. 2000 M.), BUT EACH SEASON VISITOR NUMBERS REACH 150,000, WITH DAILY PEAKS OF 6000
SERVICE IS EFFICIENT AND GENERAL QUALITY OF FOOD ETC. IS GOOD, SO MANY VISITORS ACTUALLY DO NOT SKI BUT ENGAGE IN OTHER ACTIVITIES
IT IS ONE OF THE VERY FEW ECONOMICALLY PROFITABLE SKI RESORTS IN CHINA, THANKS TO ITS CONVERSION INTO A MULTI-FUNCTIONAL RECREATION RESORT WHICH INCLUDES SOME SKIING.
DUE TO ITS NATURAL CONDITIONS, THERE IS NO WAY TO FURTHER EXPAND ITS SIZE, SO ONLY SLIGHT IMPROVEMENTS OF THE EXISTING FACILITIES ARE DONE EACH YEAR.

NEW RESORT DEVELOPMENTS ARE FORBIDDEN IN BEIJING.
THE SMALL CITY RESORTS USED TO BE SEEN AS A SPRINGBOARD TO POPULARIZE SKIING, BUT AFTER A DECADE, MOST CHINESE SKIERS STILL CONSIDER SKIING TO BE WHAT YOU FIND HERE.
SMALL CITY RESORTS ARE STILL BEING DEVELOPED AROUND CITIES AND EVEN SMALL TOWNS IN THE PROVINCES.
THIS KIND OF SMALL INVESTMENT MAY GRANT RELATIVELY QUICK RETURNS.
DUOLEMEIDI MOUNTAIN RESORT, CHONGLI

2005: A GROUP OF ITALIAN INVESTORS IDENTIFIES CHONGLI AS HAVING A GOOD DEVELOPMENT POTENTIAL, THANKS TO ITS OVERALL NATURAL CONDITIONS AND FAVOURABLE LOCATION CLOSE TO BEIJING.


2008 - 2012: FURTHER UPGRADES INCLUDING NEW SLOPES, A SKI CONDO, SUMMER FACILITIES ETC. FAIL TO ATTRACT SUFFICIENT CUSTOMERS.

AT THE SAME TIME, MORE RESORTS IN THE AREA ARE BEING DEVELOPED

SEASON 2012-2013: VISITOR NUMBERS ARE DOWN FOR THE FIRST TIME COMPARED TO THE PREVIOUS YEAR.

CHONGLI HAS BECOME THE MAIN SKI DESTINATION IN CHINA THANKS TO THE PRESENCE OF 5 MAJOR DESTINATION RESORTS: WANLONG, DUOLEMEIDI, GREAT WALL AND SECRET GARDEN.

ALL 4 ARE LOCATED IN THE SAME AREA, AT FEW KMS FROM EACH OTHER, AND HAVE FULLY INDEPENDENT FACILITIES FOR SKIING, LODGING, FOOD AND ENTERTAINMENT.

DUE TO ITS LACK OF COMPETITIVENESS TOWARDS OTHER DESTINATIONS (JAPAN...), CHONGLI’S ROLE IS LIMITED TO BEING A WEEKEND DESTINATION FOR SKIERS FROM BEIJING AREA.

A REAL ESTATE DEVELOPMENT BOOM IN CHONGLI TOWN HAS NOT BEEN FOLLOWED BY STRONG SALES ACTIVITY.

THE LOCAL GOVERNMENT, WHILE INVESTING HEAVILY INTO INFRASTRUCTURE, IS ENCOURAGING NEW INVESTORS TO BUILD MORE SKI RESORTS, OFFERING NO ASISTANCE OR PROTECTION TO THE PRESENT INVESTORS.

NO EFFORT IS MADE TO PROMOTE CHONGLI AS A YEAR-ROUND DESTINATION. BASIC FACILITIES ARE LACKING.
BEIDAHU RESORT, JILIN

2000: This training base for athletes is completely refurbished by the local government as a response from Jilin province to the predominance of Heilongjiang/Harbin in winter sports.

2007: After more investment, the resort hosts the 6th Asian Winter Games.

2008: In its struggle to develop a number of top-class ski holiday resorts in China, Melco China tries to acquire Beidahu from the provincial government but withdraws later.

2010: A local entrepreneur acquires the ski resort and starts renovation and real-estate development around it.

Beidahu is struggling to attract customers, mainly seasoned skiers from trendsetting Beijing, but maintains an excellent reputation for its skiing.

Still, its position (12 hours by train or 1.5 by air from Beijing) discourages most skiers from visiting it more than once per season.

Beidahu is a relatively successful example of conversion of a government-owned and operated resort boasting excellent hardware (but lacking everything else) into a commercial operation.

Compared to Yabuli, it is one only resort operated by one entity, and has not to fear government mingling or, worse, competition.

Its location, closer to the market compared to Yabuli, allows also for better natural conditions (less cold and windy, higher vertical drop, more appealing landscape.)
WANDA CHANGBAISHAN RESORT, JILIN

The project has been developed by a group of investors headed by Wanda Group, the largest real estate conglomerate in China.

The biggest of its kind to-date in China, it is an integrated all-season resort boasting a state-of-the-art ski area, golf courses, several hotels ranging from 4 to 6 stars managed by major international chains, a cineplex, a museum, real estate and all kinds of facilities.

After opening in June 2012, it has been catering mainly to tourist groups from the coastal areas (Shanghai...) visiting on standard 3-day tours mainly aimed at visiting the famous Changbai Mountain, located at approx. 80 kms from the resort.

For most visitors, skiing is just one of many things they experience on the trip.

The project is part of a major development including the building of a town of 500.000, assigned by the local government to the Wanda Group.

For the first ski season 2012-2013, more than 20 million RMB have been allocated to subsidize tour operators in order to bring groups to the resort.

Target customers are, for the time being, tourist groups from the non-skiing coastal areas, while skiers have so far failed to visit.

It has to be seen if the huge investment will pay off in the long term, especially for what concerns the sales of recreational real estate, which have yet to take off in China.

WANDA CHANGBAISHAN IS BY FAR THE LARGEST PROJECTS OF ITS KIND IN CHINA.

Its success or failure will be crucial to the further development of similar destination resorts (similar ones are currently planned elsewhere).

Compared to previous developments, it has for the first time:

- A very strong local investor with a long-term vision.
- A very careful choice of the site and planning involving international competencies.
- A strong marketing concept.
- Solid government backing.
- Willingness execute the plan and the objectives and backing this up financially.
- An understanding that the whole customer behaviour needs to be changed from its foundations.
DEVELOPMENT TRENDS:

- BIGGER IN SIZE
- PRIVATE INVESTORS WITH STRONG GOVERNMENT BACKING
- SITE IS CAREFULLY SELECTED ACCORDING TO OBJECTIVE CRITERIA
- COMPREHENSIVE, ALL-SEASON HOLIDAY RESORTS BEARING ALL KINDS OF FACILITIES AND OFFERING ACTIVITIES FOR ALL AGE GROUPS AND INTERESTS
- ACCOMMODATION, LEISURE, ENTERTAINMENT AND REAL ESTATE ARE INTEGRAL PART OF THE PLANNING
- HIGH STANDARD EQUIPMENT IS USED
- ENVIRONMENTAL ISSUES ARE ADDRESSED
- SUSTAINABILITY ISSUES ARE ADDRESSED
- LOCAL AND INTERNATIONAL COMPETENCE IS USED
- PLANNING IS DONE PROFESSIONALLY
- MARKET STUDIES ARE DONE TO IDENTIFY CUSTOMER NEEDS AND CONSUMPTION TRENDS
- SALES AND MARKETING ISSUES ARE INTEGRAL PART OF THE PLANNING PROCESS SINCE THE VERY BEGINNING
**PAST**

* Either small private city resorts (or big government-invested facilities)*
* Only ski facilities*
* Site randomly chosen*
* Smallest investment for fastest biggest returns*
* Little competence*
* No concern for the environment and for sustainability*
* Low cost local equipment*
* Target customer: one-timer

**PRESENT**

**FUTURE**

* Big private investors going for large integrated destination resorts*
* All-season facilities, hotels, real estate etc.*
* Site carefully surveyed*
* Long-term planning, quest for quality and performance*
* Competence acquired*
* High performance imported equipment*
* Target customer: repeat skier
THANK YOU