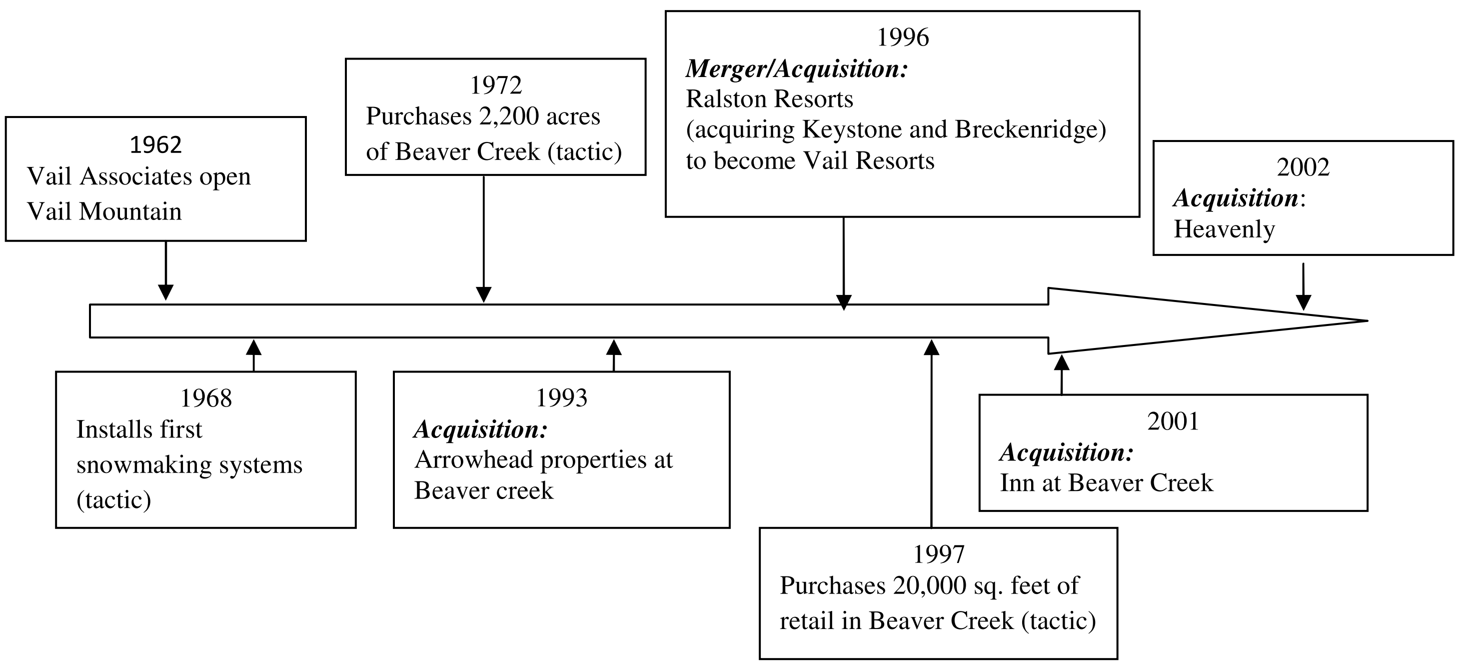
market, which is one of the premier ski locations. Even their environmental aspect is consistent and steady. Significant capital particularly in the Mountain business is evident by the equipment, terrain style and themes of each resort in such large territories. This is one of the reasons why they can boast 1st and 2nd high visitation rates. Their seamless environmental implementation is stellar and a essential part of their operations; it has become an inseparable part of their culture. Their pending 1.5 billion EVER Vail project is proof of their adherence to environmental responsibility. (Hoovers 2009d)

Strategic History

- *All strategic history timelines are taken from both Vail Resorts 10-K report and from its website dubbed '(Vail Resorts Management Company, 2007a)'*

Mountain Strategic History:



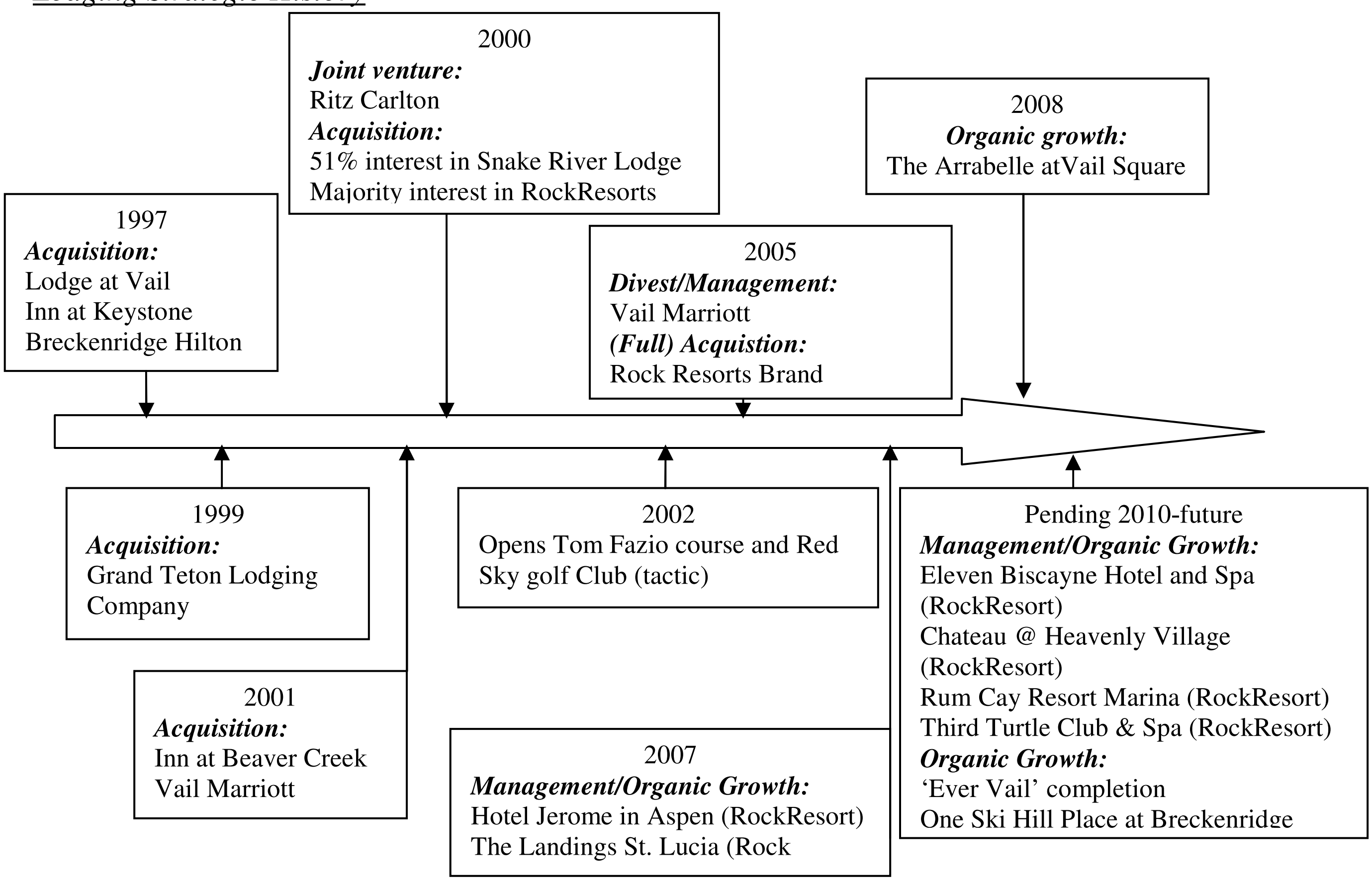
The following years indicate the type of strategy implemented:

- 1962: Focused differentiated
- 1993: Focused related differentiated
- 1996: Focused related differentiated

- 2001: Focused related differentiated
- 2002: Focused related differentiated

The overall (and final) strategy for the Mountain business is focused differentiation as the intended market is skiers. This is further proved by the admittance of their premium pricing and historically raising the rates. Even though they bought related business and merged, the demographic and operating model was the same as they were all ski properties. As the company ventured into the lodging industry they became broad as listed on the lodging history

Lodging Strategic History

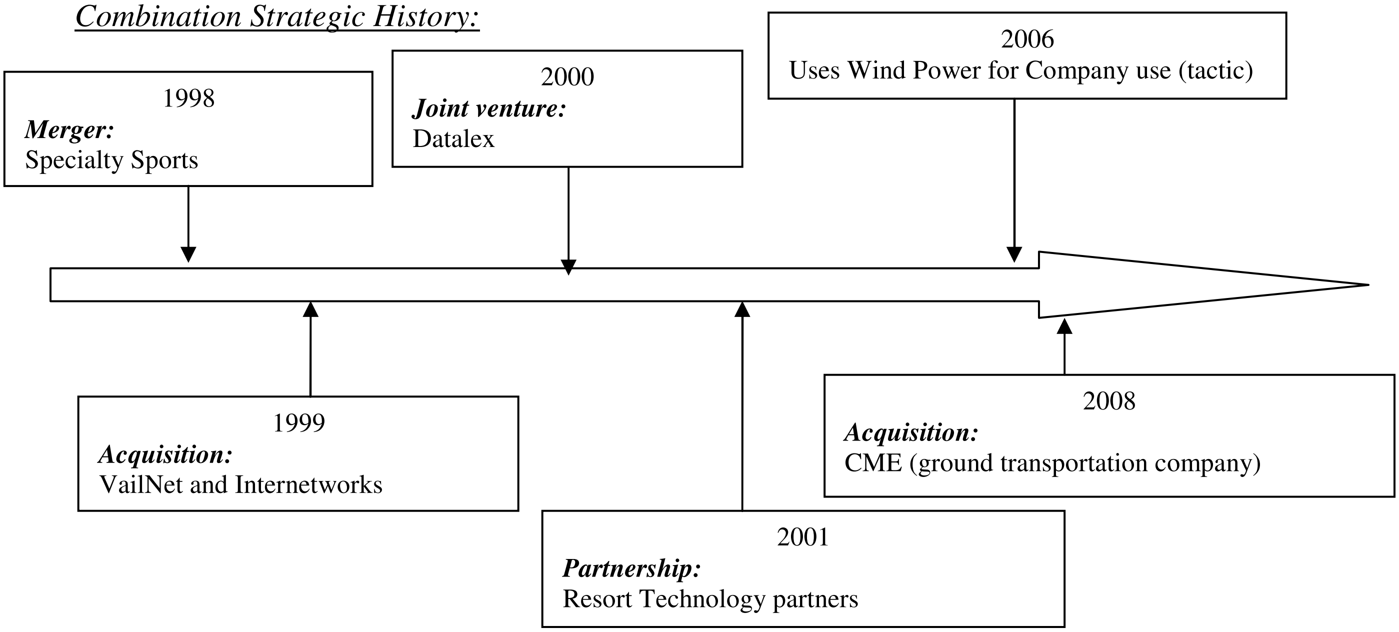


The following years indicate the type of strategy implemented:

- 1997: Diversified related
- 1999: Diversified related
- 2000: Diversified related

- 2001: Diversified related
- 2002: Diversified related
- 2005: Divest/Diversified related
- 2007: International broad related diversified differentiation
- 2008: Organic growth
- 2010-future (pending): Organic growth, international & broad related differentiation

Combination Strategic History:



The following years indicate the type of strategy implemented:

- 1998: Broad related diversified (merger)
- 1999: Broad unrelated diversified
- 2000: Broad related diversified (joint venture)
- 2001: Broad related diversified (partnership)
- 2008: Broad related diversified

- *The combination strategic timeline represents initiatives took by the company that are applicable to both their business segments.*

Strategic Effectiveness

After assessing Vail Resorts, Inc. strategic history, it is noticeable that an overwhelming majority of their strategies are effective. Currently, the company follows an international broad diversified differentiated strategy after it acquired Grand Teton Lodging Company and

RockResorts. The following strategies stated below are explained and its effectiveness is highlighted.

- ***Acquisition:***
  - *Mountain '93, '01, '02*

Vail acquired Keystone and Breckenridge (through a merger) and also purchased Beaver Creek and Heavenly. These properties all were all effective and profitable acquisitions, as it was a part of their overall growth strategy which helped make them the largest skiing operation in the U.S. Aforesaid, these properties all rank in the top ten most visited ski resorts in the U.S. and they have two of the largest properties that they can expand on and alter. Due to key acquisitions, the Mountain segment accounts for nearly 60% of its sales mix. (Hoovers, 2009d) (Vail Resorts Management Company, 2007a)

  - *Lodging '97, '99, '00, '01, '05*

It is believed many of the acquisitions during this period served as enhancing its Mountain properties, in terms of adding extra occupancy, a tactic which was used to lure guests that may not have the ability to stay at the Mountain property. This also marked the emergence of a broad differentiated strategy, to offset high seasonality. Two key acquisitions were Grand Teton Lodging company and (partial then full ownership of) RockResorts. Through these ventures, they were an all year round resort company as they served as a summer destination resort (GTLC) and they also had a luxury component to it, which would also grant opportunities for further expansion. However, the lodging section has not truly maximized its profit potential as their contribution margin is mediocre. Nonetheless, it was wise to do. (Hoovers, 2009d) (Vail Resorts Management Company, 2007a)

- *Combination ’99, ‘08*

The emergence of the internet’s popularity added a new component to many businesses. It is one of the prominent ways of advertising and marketing; the company’s website is an extension of its business and certain customer relationship management principles need to be effectively utilized. It was ideal and wise for the company to buy Internet Service Provider (ISP) VailNet and Web services firm InterNetWorks. It serves as an in-house production, as they don’t need to outsource sensitive information. Also, internet usage among their clients may be commonplace due to the need to stay connected to the World Wide Web, it was a wise choice.

The addition of CME was beneficial in many ways. It can be seen as a tactic that increased the perception of value; Vail Resorts prices are at a premium rate. The concierge service strengthened the brand, making it appear fervent on delivering customer satisfaction from the minute the plane arrived in Colorado until they left and also ensured that customers would be transported to various Vail properties. Interestingly enough, their historical timeline shows that in October 1973, they had a free in-town bus system, the largest in the country. (Hoovers, 2009d) (Vail Resorts Management Company, 2007a)

- ***Joint venture/Partnership/Merger***
  - *Mountain ‘96*

The merger with Ralston Resorts transformed Vail Associates into Vail Resorts, making them the largest skiing company in the U.S. to date. This was important because Keystone and Breckenridge were added to the portfolio, the 2nd and 4th most visited resorts to date. It made them a big contender in the mature ski market and they still uphold this legacy to this date. (Hoovers, 2009d) (Vail Resorts Management Company, 2007a)

- Combination ’98, ’00, ‘01

Specialty Sports Ventures (SSV), Inc., Datalex and Resort Technology Partners (RTP) have played influential roles in the success of the company. Vail is very intuitive and astute as they analyze their opportunities and deficiencies when going into business with certain companies, hoping to transform them into strengths. RTP has developed their ski pass and point of sales systems they frequently rely on; they may have even been the catalyst for the company winning the CIO award based on the RFID technology the resort uses for its guests, as they do have the capacity to do so. (Hoovers, 2009d) (RTP LLC, 2010) (Vail Resorts Management Company, 2007a)

Datalex is a company which sells IT products and services. The benefits of the venture may have been two-fold. First it gave Vail the ability to study trade secrets, as this is not their expertise and it also acts like a backwards vertical integration, as they are closer to their supplier of services that they need to stay innovative, in regards to hospitality software services. The merger of SSV was geared more towards it Mountain business (ski equipment etc.) and as they purchased GTLC, it put them in a favorable position to earn money elsewhere (because of its golf courses). Specialty Sports Ventures is one of the largest retailers of ski and golf-related goods in Colorado. Currently, Vail is in the process of buying the remaining interest in SSV. (Hoovers, 2009d) (Vail Resorts Management Company, 2007a) (Vail Resorts Management Company, 2010a) (Winthrop Corporation, 2010)

- ***Organic Growth/Management***
    - *Lodging '07, '08, '10-future (pending)*

Whether functioning as a management company or as the standard lodging business, Vail has a stronger presence through managing the RockResorts brand (nationally or internationally) and from constructing more facilities. There are a lot of works in construction, suggesting that their brand is strong and they are anticipating steady growth. (Hoovers, 2009d) (Vail Resorts Management Company, 2007a)

- ***Divestiture***
    - *Lodging '05*

Vail Marriott did not seem to be an ideal fit for the company. Possibly the two cultures could not find a compromise or Marriott presented challenges that Vail was unprepared for. (Hoovers, 2009d) (Vail Resorts Management Company, 2007a)

- ***Focused differentiation***
    - *Mountain*

This was the original strategy used and it was quite effective in their skiing segment, earning them the distinction of being the premier ski lodge in the U.S. It has been used for forty years.

- ***International broad diversified related differentiation***
    - (Present Strategy)

This is the current position after all acquisitions, expansions, joint ventures, mergers and partnerships. It is the best route to go, especially when taking the maturity of their Mountain business and the potential Rock Resorts has to be a major player in the hotel industry.

Strategy Concerns/Future Direction

As the new CEO of Vail Resorts, the following are my concerns which threaten our profitability and longevity in the business:

- Possible mergers amongst competitors
    - High level of rivalry
- Lack of contingency plan
- Excess real estate investment
- Emerging substitutes
- Moderate financial position
- Other forms of entertainment (electronic and amusement parks)

Through many hardships the company faces, it would be easy to blame our flaws on the recession. However, it is my belief that economic downturns usually separate good companies from mediocre ones. Despite a few setbacks, we share a dominant position in Colorado and favorable status nationally; our position is highly coveted. As a result, our competitors may try to merge their operations, replacing us as the premier mountain resort. I suggest that we thoroughly investigate other terrains nationally that may fit our model. It is best to take a proactive stance at times, rather than be defensive. Our former CEO Adam Aron had a successful 10 year reign and is deserves commendation for the foundation he has set up. However, Vail's success depended upon his health. I cannot recall a contingency plan put forward by the board of directors similar to McDonald's, in the event of my untimely demise. We need to annually plan for risk scenarios and succession planning, grooming future employees to fill my position.

Our inability to close on real estate sales as well as having too many investments should cause us to refocus and think unconventionally. Recently, we stopped the purchase of wind credits. It would be beneficial in strengthening our cost effective and environmental stewardship legacy in using some of the properties as sources of renewable energy (such as solar panels and our own wind turbines); we should strive to be self-contained through joint ventures with companies that share our vision of environmental responsibility.

Although miniscule in nature, there is an emerging threat (substitute), which deserves are full attention. The notion of indoor ski resorts can be practical and convenient for many ski enthusiasts who want a brief winter experience. Perhaps it is of best interest to study this, as Dubai now touts their own, despite having desert conditions. It is an attraction for that segment. Regardless, it may be best to conduct feasibility studies in tropical/humid parts of the U.S., introducing the ski lifestyle to those who may be curious or cannot travel great distances, frequently. This creates another related strategy for the company.

Our cost cutting measures are fine but our financial health is at risk, due to aggressive expansion and mounting debt. This is an issue that must be handled immediately else it restricts our opportunity for future growth. Perhaps to combat this we can downsize some of our lodging properties (or properties in general) that have high operating costs and low to minimal contribution margin, as evidenced in the lodging sector of our financial statements.

Although our primary source of income is from skiing and its related activities, we must always be mindful that we are in the entertainment industry at large, competing with giants such as Disney, amusement parks, video gaming and other forms of recreation such as theaters. Being able to recognize the proposed ‘elephants in the room’ should cause us to further differentiate our services.

Besides rectifying our concerns, another important step is expanding our RockResorts brand, licensing the brand and seeking more management opportunities. In the end result, it will bring in a strong cash flow without (many) operating costs. We are a great ski company in many of our mountain and lodging activities. Let us not rest on our laurels and get complacent nor expand for the sake of it. However, let us find opportunities to broaden our portfolio, so that we are not totally reliant on one brand.