**Case14 Grand Targhee**

In the competitive world of ski resorts, the race for profitability is always an uphill battle. But Grand Targhee Resort is carving out an innovative path to success that counters conventional wisdom and rethinks strategies popular with larger resorts. Personalized service gave Targhee the lift it needed.

At first glance, Wyoming’s Grand Targhee Ski & Summer Resort would seem to have less chance of survival than a ball of its signature talcum-powder snow on a hot summer’s day. The crucial element for a successful destination ski resort, according to conventional wisdom, is land. The skiers and snowboarders demand a return on their hefty investment in a roundtrip airline ticket, accommodations, and skyrocketing lift fees in the form of an enormous and varied terrain crisscrossed by numerous high-speed lifts. Off the mountain, it’s no longer enough to throw up a couple of pseudo-chalets housing a lodge, a rental shop, and a cafeteria. Today, visitors expect a base village crammed with spiffy shops, luxury hotels, and high-octane restaurants—a destination in itself.

Based on those parameters, Targhee wouldn’t appear to have what it takes. Located on the western side of the Grand Tetons about 30 miles from tiny Jackson Hole, Targhee grabs the edge on size—3,000 acres compared to Jackson Hole’s 2,500—but accesses it with just four fill-size lifts and a snow card, compared to Jackson Hole’s eight lifts, a gondola, and a tram. Similarly, visitors who white-knuckle their way up the long and hairpin approach road to Targhee find a handful of low-slung lodges, shops, and restaurants grouped around a plaza that can be explored thoroughly in 15 minutes, whereas Jackson Hole’s crowded base village recently slotted in a Four Seasons hotel, and the town of Jackson is an easy twelve miles away.

Land usage in the base area is traditionally the key to a destination ski area’s bottom line. “Real estate has become a huge part of the business plans for all the major ski operations,” says Mary McKhann, editor of *The Snow Industry Letter*, a trade publication covering the ski and snowboard industry. That real estate generates hefty rents from shops and restaurants and sizable amounts of income from sales of high-priced single-family homes, townhouse condominiums, and interval ownership (the latest euphemism for time-shares). “It is extremely difficult just making it on lift tickets alone, without having the real estate and a village,” says McKhann.

Targhee’s pristine terrain is located in the Targhee National Forest and is subject to strict regulations regarding the usage of public land. It took six years to get permission to build a new lift on Peaked Mountain; further expansion of either the slope system or the base area is unlikely in the near future.

Yet 80 percent of the skiers who have tasted Targhee’s powder come back for seconds. Although that figure might not seem notable compared to an average return rate of 77 percent for destination skiers at seventy-nine major areas nationwide, many of those areas are within just an hour or two of a significant urban center. Targhee’s nearest city is Idaho Falls, Idaho, 80 miles away.

**What Is Targhee’s Secret?**

Because Targhee literally could not expand into new territory, it was forced to take another look at what it already had. In doing so, it found that it was sitting on a mother lode of resources just waiting to be discovered. The light went on for Larry Williamson seven summers ago. At the time, Targhee’s horseback riding concession was run by an outside outfitter that strictly scheduled everything: One-hour rides left at 9:00 a.m., 10:30 a.m., and 1:00 p.m., and two-hour rides went out at 10:00 a.m. and 1:30 p.m. “We couldn’t get them to accept the idea that if its 9:30 and you’ve got guests waiting and two wranglers and fifteen horses sitting down there, why wait half an hour to go on a ride?” Williamson recalls.

Targhee took over the riding program, and Williamson quickly realized that guests didn’t want riding lessons per se; they wanted to enjoy being on a horse. The program was changed to accommodate their wishes. The result: “We went from $24,000 to more than $45,000 in one three-month season with no change in marketing, except that when you come in, we’ll put you on a horse as soon as possible.” Today, the horse concession is pushing $84,000 in revenues.

The next task is to figure out how to satisfy the customer when the snow fell. As a former ski instructor, Williamson knew that the ski school experience could make or break a guest’s visit. A University of Idaho survey found that virtually 100 percent of the people who had taken lessons at Targhee’s ski school planned on returning, whereas less than half who had not taken lessons were willing to come back. “The obvious answer was that if you’re in ski school, you develop a friendship and become part of Targhee,” says Williamson.

But there was a less obvious and even more compelling aspect to the lessons. Many ski schools judge their success on how much the student improves. One problem with that method is that success is defined by the instructor’s parameters, rather than the guests’ preferences.

Williamson came up with a different winning formula. “It really wasn’t about how much the guest improved,” he concluded. “It was more about how much fun the guest had. People don’t like to pay for classes on vacation unless it’s something fun. Fun became my focus for the industry.”

A key element in Williamson’s idea about fun is Mark Hanson, the snow sports school director. Hanson had run the children’s program at Targhee for five years before becoming overall director. He knew the secret of a superb program: “If little kids don’t have fun, mom’s not going to bring them back again. And if they do have fun, mom isn’t going to be able to keep them from coming back.”

In transferring the successful elements of the kids’ program to the adult lessons, Hanson had to take into account the fact that about 80 percent of Targhee’s adult clientele is either level II or III skiers, compared to 60 percent at most other resorts. Such advanced skiers are not nearly as inclined to take a lesson as beginners. “We teach, on a percentage basis, far fewer lessons than Vail, so it became a particular challenge to get those advanced skiers into lessons,” Williamson says. “Their attraction to powder is part of the answer. Customized options are another. Finding out what people want to accomplish became a priority. Rather than worrying about what they do with their bodies, get them doing things that help develop confidence.”

Hanson examined Targhee’s liabilities and realized that they could help the company differentiate itself and even provide opportunities. Targhee welcomes about a tenth of those who throng the slopes at Steamboat Springs, a Colorado resort with comparable acreage. But rather than sulk about empty slopes, Hanson says, “The lack of exorbitant volume becomes an advantage. We can be more personal with folks. We can say, ‘It’s just you and me now, so let’s go play and do what you want.’”

Thanks to the small volume, Targhee’s snow sports school can afford to be more flexible. At Big Sky, Montana, four hours to the north, semiprivate intermediate lessons go out in the afternoon only; if the snow has turned to slush by 2 p.m., that’s tough luck. With so few crowds at Targhee, lessons billed as “group” frequently have attendance that would be more accurately labeled “semiprivate.”

But it’s the private lessons that best demonstrate Hanson’s determination to bend over backward to achieve customer satisfaction. “You can go on a private lesson any time or any day,” says public relations director Susie Barnett Bushong. “If you decide you don’t want to learn a technical skill, that you just want the instructor to show you secret powder stashes, that’s fine. And if you aren’t happy with your lessons, you can come back the next day and get a free one.”

As the program changed from the standpoint of value and product, the pay strategy changed too. Instead of being paid merely for the cost of their labor, Targhee instructors have a hefty incentive to ensure customer satisfaction through repeat business. “Instructors make much more money from returning mountain tours or returning private lessons than from lessons just assigned to them,” Williamson says.

Although an expected amenity, a ski school is often something of a loss leader. Whereas larger areas amortize the various expenses involved in building up and staffing a school through other revenues, Targhee is too small to afford that kind of luxury. Hence the push to sell private and semiprivate lessons. “Financially, they’re a win for us because they generate more revenue, they’re a win for the instructors because they can make more money, and they’re a win for the guests because they’re getting what they want,” says Hanson.

Hanson spends a lot of time ensuring he’s got the right staff. “They have to be pros at working with people,” he says. Again, Targhee’s size is an advantage. “We might hire 10 or 12 people every year, whereas some resorts hire 200 each season,” he says. “That smaller need allows me to be choosy.”

It also enables him to keep a close eye on his staff; no supervisor is in charge of more than fifteen instructors. Hanson monitors requests for private and semiprivate lessons and checks responses to guest surveys. “I don’t do any formal spying, but I spend a lot of time on the hill myself,” he allows. “I can say, ‘Hey, I noticed you were doing this. Why?’”

Hanson’s attentions have paid off. Grand Targhee’s ski school brings in only 4.5 percent of revenue, compared to a national average of 7.5 percent. But in terms of EBITDA (earnings before interest, taxes, depreciation, and amortization), the school contributes a whopping 30.1 percent, whereas the national average is a little more than half that amount.

Targhee also bucks the industry trend by fervently pursuing the local market. “All the research will tell you that the destination guest spends more money, but to be successful, we can’t afford to concentrate on that one aspect of our market,” says Hanson. To broaden its share of the regional market, Targhee has adopted an all-encompassing approach, sponsoring ski programs in elementary, middle, and high schools, partnering with ski clubs in nearby Idaho Falls and at the University of Idaho at the other end of the state, and organizing programs aimed at niche audiences as narrow as, say, women from southeastern Idaho. Not surprisingly, discounted lessons and instructional weekends are a big part of the perks of membership in those ski clubs. “We get a lot of the same people who come to every instructional they can, and they generate more business for us by telling their friends,” says Hanson.

Targhee’s drive for customer satisfaction and repeat business pervades every aspect of its efforts, from the parking lot attendants to the ski patrol. Each department is graded on its performance, with guest satisfaction accounting for a large portion of the rating. Five years ago, the ski patrol had a 44 percent performance rating. Then patrol staff members started to have lunch with guests, give demonstrations with their avalanche dog, and make themselves more visible. Last year, their score hit 88 percent.

Similarly, the parking lot attendants had barely eked out a 40 percent rating. They decided that guests wanted to see them working efficiently, so they donned bright orange vests, worked out a series of hand signals, were friendlier, and boosted their rating up to the 90s. Says Williamson, “The whites of the teeth are the number-one factor.”

Williamson knows that Targhee will never be able to compete directly with places like Vail or Jackson Hole. It will never have the same number of chair lifts or the swanky base village that can be subsidized by real estate sales and rentals. “We try to focus not on competing with other resorts but on those features that make Targhee unique,” he says. By mining those already existing assets, Williamson’s team has figured out a way to turn Targhee’s famous effervescent powder into cold, hard cash.

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