Project 2: Tool Analysis

Company: Vail Resorts, Inc. (NYSE: MTN)

Professor:

Class: BMGT 496 Strategic Management

Date:

Introduction

The strategic management process examines how actions and events involving top executives, firms, and industries influence a firm's success or failure (Mastering Strategic Management Ch.1, 2016, p. 6). In the reviewing process, an external environmental analysis helps to gather and analyze specific data that influence the organization. (Mastering Strategic Management Ch.3, 2016, p. 74). In order to fully evaluate Vail Resorts Inc.'s competitive position, a tool analysis will be performed. Vail Resorts has been very successful in the development of strategies for each portion of their business segments within the leisure and recreational industry. (Vail Resorts Inc, 2016). The analysis will integrate information from the completion of a partial SWOT (OT), Porter's Five Forces, External Factor Evaluation (EFE) matrix and Competitive Profile Matrices (CPM).

Industry Analysis

Porter's Five Forces

The Porter Five Forces analysis is a strategic tool used to analyze the industry and understand the different levels of profitability and the competitive nature of the business (Mastering Strategic Management, 2016, p. 88). Porter's Five Forces takes a deep dive into environmental factors evaluating the threat of new entrants, bargaining power of buyers, bargaining power of suppliers, threat of substitute products, and existing industry rivalries (Mastering Strategic Management, 2016, p. 89). These forces combined determine the profit potential of the industry (Business to you, 2016). Each force aligns with several components that need to be reviewed as shown in the chart below:

Competitors in the Industry

Vail Resorts has a variety of competitors in the industry and Boyne Resorts is at the top. We also have Intrawest, Powder, Choice Hotels, Hyatt, Telluride, OMNI, CaberFae and many more on the list. There are a total of 481 competitors in the industry however, they can no longer compete with this Vail because the firm has implemented new processes and products. Hence, the competition rate will be concluded to be low, as Vail has created a market within itself.

Threat of New Entrants

The threat of new entrants reviews the potential for new firms to enter the industry and that do not compete but may in the future (Mastering Strategic Management, 2016, p. 91). The components that make up the force are time and cost of entry, specialist knowledge, economies of scale, technology, and barriers of entry. To enter this industry, it would cost roughly $150 million. According to Katz, it is nearly impossible to open a ski resort not even considering the time it takes to build support from the community and build and design the infrastructure (Atlantic, 2012).

There are also ongoing expenses that can cost up to $2 million annually (Truic, 2020). There is a huge barrier due to environmental and government regulations and substantial capital investment requirements (Bloomberg, 2020). There is also a limit on the development of new ski results due to inadequate private lands where ski resorts can be built. The process to obtain appropriate government approval is difficult. As a result, there has not been a new ski resort built in the last 35 years (SEC, 2019). The effect of the force is considerably low for the leisure and the recreational industry as it would be hard for firms to enter the industry and build a customer.

Bargain Power of Suppliers

The Bargaining power of supply is low. Vail Resorts is at the point where it must buy its appliances from the manufacturers that deal with winter products. Because of this issue, there are only a few. The National Ski Areas Association is one of the suppliers with over 400 members who provide equipment, goods, and services (NSAA, 2020) However, it is easy for them to switch their clients, but the bargaining power is out of the hands of the firm. Even at low costs, they must manage with what is being offered by suppliers

Bargaining Power of Buyers

The bargaining power of buying is moderate. This is because, to meet the cost needs of customers, the company would have to compromise its profit and go for the dire requests of its customers for cheaper rates. Since this is a risky task, they don't compromise on its profits but provide luxuries for customer satisfaction and want feedback on how to improve. Vail will have to look at the competitors' prices and gage how they can attract new and loyal customers.

Threat of Substitute Products

The threat of substitutes is very high. If another company manages to get a better ski area, better customer service or better rates, it will be a threat. The kind of products and services provided by Vail Inc. is luxurious; hence its products are different than other resorts. Moreover, a day resort or a mountain resort. Vail is trying to provide its customer's commitment and adventure by its mountain scope and also a day resort time which is cheaper and less time-consuming.

Competitive Analysis:

Vail resorts are touching the peaks of skies with the help of luring advertisements and excellent management but due to this, it is giving birth to competitors and rival companies daily. The top 3 competitive companies to Vail are Aspen ski company, Intrawest, and American Ski. These three companies are competing with Vail based on annual revenue, customer floods, as well as a personal rivalry. However, Aspen has its rivalry based on the flourishing of Vail. Aspen didn't want Vail to gain so much power. Not only did it lose its land, but it also lost its shares and ski publicity (Williams, 2003)

As far as Intrawest is concerned, they split their shares from Keystone where disturbance began. Intrawest was in process to launch a resort on its designated land share, somehow Vail Inc. managed to sue to create a bigger rivalry When it comes to the American Ski Company, the company is working to improve the metrics in comparison to Vail. In order to transform the revenue model in 2006, season prices were slashed by introducing an all for one pass in which they gained $6.3 million in (New England Ski History, 2019). The strategy is to create an advantage over its competitors to gain more customers. American Ski company currently owns 13 ski areas while Vail has 14. American Ski Company is also known as the sister Company of Aspen Inc.

The weakness of Vail emerged when it enhanced its IT system to a large scale. The strength of this competition for competitors relied on rates. While they were giving cheaper rates than Vail, to attract customers away from the firm. The market outlook in this competition favored the people as they got to use better rates and offers as well as experiences

Critical Success factors for Vail Resorts:

1. Up to date with industry changes

The major key aspect of success is that it is constantly changing according to the needs of its customers. This means that the company must drastically change its requirements according to the requirements of its customers whenever they change their moods. And as human behavior is related, it changes almost every day. Vail must keep up with the changes that take place in society and find ways to input that into the business.

2. Product Proliferation

The Firm must look deeply into its product proliferation. In order to gain more name, it is trying to take on its challenges by providing summer facilitations for the customers too. The company is purely related to winter aspects. This includes ski resorts and winter facilitation. A good practice would be to keep running throughout the year. This facilitation would increase revenue, sales, profits and keep the customers rushing in and out all year.

3. Location Expansion

It is not just still. It is constantly expanding its name and territory even overseas, which is making it gain more customer attraction and more revenue. The better the expansion, the more customers they will attract. A simple advertisement isn't the solution. They need to provide their facilities wherever they can and as close to people as possible. However, expansion does mean a great deal of responsibility with a multiplied risk and also multiplied revenue.

4. Implemented Technology

The development of new technologies to assist the product/service production and delivery process can be exploited to embed innovation in business operations. Advanced technological integration can decrease costs, improve efficiency and result in the quick introduction of innovative products. Vail up to date with online systems and using machines with its technologies for its ticket systems and in time responses. Online systems assist with providing customers fast service which can deal with multiple people at a time. Due to the location of the resorts internet access is limited and Vails has made everything linked and connected to the Wi-Fi systems. This implementation is a form of emergent technology in response to an opportunity (Mastering Strategic Management, 2016, pg. 19) This not only helps to make it fast, reliable and efficient it also helps in securing large amounts of data on the cloud. This way no data can be lost or edited by someone or any unauthorized person.

Competitor Profile Matrix (CPM)

Competitive Profile Matrix (CPM)							
		Vail Resorts		Interwest		Aspen	
Critical Success Factor	Weight	Score	Weighted Score	Score	Weighted Score	Score	Weighted Score
Product Proliferation	0.25	3	0.75	2	0.5	2	0.5
Financial Position	0.25	4	1	1	0.25	2	0.5
Location Expansion	0.05	4	0.2	3	0.15	3	0.15
Product Quality	0.1	4	0.4	2	0.2	2	0.2
Customer Service	0.2	3	0.6	3	0.6	3	0.6
Customer Loyalty	0.05	3	0.15	2	0.1	2	0.1
Implemented Technology	0.1	4	0.4	3	0.3	3	0.3
TOTAL Score	1		3.5		2.1		2.35

After comparing the three companies Vail resorts are leading in the industry. Vail Resorts created quite the name for themselves by creating and implementing key processes. These key initiatives have not only increased sales but attract new customers.

Partial SWOT (OT)

A partial SWOT (OT) is completed to analyze the opportunities and threats of a company about external events and trends. This helps to generate ideas about how the company can become more successful (Mastering Strategic Management, 2014, pg. 132)

Opportunities	**Threats**
Developing the company to a changing Ship of land	Continuous change of customer moods and demography

Advanced ticket control and pricing system	Climate hazards
Expansion of name and fame by acquiring more land	Issues of Immigrants
Expansion of real estate development	Terrain parks natural disasters
Expansion and marketing overseas	Mismanagement of extensive expansion

As stated in the OT table, the opportunities of the firm are great, indeed. But, if the firm fails to manage them, it will be a catastrophe and a failure of the entire firm. The more it expands, the more it gets risky, but that is how it will gain more profit. Since the entire film depends on nature itself. The natural disasters are a massive threat to it. One miscalculation can take lives or destroy the resort.

External Factor Evaluation (EFE) Analysis

The External Factor Evaluation is used to assess the current business conditions and will help to prioritize and visualize opportunities and threats that are currently facing the business..

EFE MATRIX			
Opportunities	weight	Rating	weighted Score
Developing the company to a changing Ship of land	0.2	3	0.6
Advanced ticket control and pricing system	0.05	4	0.2

Expansion of name and fame by acquiring more land	0.15	3	0.45
Expansion of real estate development	0.05	2	0.1
Expansion and marketing overseas	0.15	4	0.6
Threats			
Continuous change of customer moods and demography	0.1	4	0.4
Climate hazards	0.1	3	0.3
Issues of Immigrants	0.1	2	0.2
Terrain parks natural disasters	0.05	2	0.1
Mismanagement of extensive expansion	0.05	3	0.15
Total	**1**		**3.1**

Conclusion

The reason for this report was to find the gain of the Vail resorts and how much it had to struggle and mainly about its external environmental factors. The mistakes it made and the achievements it conquered. It shows what kind of risks that may yet to come for Vail Inc. either from its competitors or from its customers. It specifies the places of its weaknesses and the strengths it should maintain. According to the EFE matrix as well it is obvious that Vail needs to overcome its threats and maintain its opportunities, or it might face a downfall massive enough to break it from the roots.

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