Seasonal Businesses Profit in Winter

Instead of hibernating, some businesses liven up in winter.

Businesses that boom during winter months include snow removal services (primarily in the northern United States), ski facilities, home improvement stores, and hospitality industries in warm-weather destinations.

Many businesses operate on a strictly seasonal basis, while others operate year-round but make most of their annual profit during one or two seasons. Strictly seasonal businesses are more likely to face irregular cash-flow patterns, therefore planning is critical for them, since they must spend money for a longer period than money is coming in.

Hiring the right employees can be another challenge for seasonal businesses. Some might find it difficult to hire workers with the solid skills and good work habits they seek. This can present challenges with training as they must bring employees up to speed each year.

Many seasonal businesses can rely upon predictable events that occur every year during the winter months that can boost their profits. November and December are the biggest months of the year for most retailers because of the Thanksgiving, Hanukkah, Christmas, Kwanzaa, and New Year’s holidays. January is a lucrative month for gyms and health clubs, as people scramble to fulfill fitness resolutions. Meanwhile, February offers the Valentine’s Day bonanza for gift shops and restaurants and the beginning of spring break for the travel and hospitality industries.

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“Predictability gives businesses an opportunity to appropriately manage expenses because unpredictable expenses can cripple seasonal businesses,” says James Williams, a South University instructor who teaches about the hospitality industry.

The expectation of snow and ice provides home improvement stores such as Home Depot and Lowe’s with seasonal sales boosts. Consumers prepare for harsh weather by hitting these stores to buy winter tools and equipment, including shovels, snow blowers, snow-plow equipment, heaters, and salt.

Sometimes there are unpredictable events that can hurt business. Unless they have extensive snowmaking capabilities, a mild and soggy winter can leave slopes barren at ski and snowboard resorts. This in turn can also mean a downturn for businesses that benefit from the success of local ski resorts.

“In many of the mountain communities, ski areas represent the major attraction and other businesses benefit,” says Troy Hawks, managing editor of the Journal for the National Ski Areas Association (NSAA). “Restaurants and lodging entities benefit from the crowds attracted there. In Colorado, a lot of these places were old mining towns or were big in the forestry industry, and when those industries went on the decline, travel and tourism become the No. 1 economic driver.”

To keep visitors coming back, and to attract new ones, ski areas spend millions to create better experiences for them. Ski operators meet visitor demand by offering improvements to snowmaking, grooming, and chairlifts, the creation of new terrain, and renovations to the base lodges. They also do so by offering deals on lessons and lodgings.

Winter Recreation and Travel

Providing more bang for the buck has become a requirement for winter seasonal businesses. The struggling economy in the U.S. and around the world took a toll on many industries. Recreation and travel are a couple of the sectors that felt chills from the recent recession.

“Recession creates a domino effect of behavior and patterns of fewer visitors and higher prices, which discourages more individuals from traveling,” Williams says. “To compensate for the loss of revenues, tourism areas might hike up the prices to capitalize on individuals still traveling. Lodging and food service companies will inevitably inflate their prices to combat the decrease of patrons to their establishment.”
However, some think it’s time for a turn-around.

“We are optimistic for this winter season,” Hawks says.

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Many ski areas seek to be open by Thanksgiving, and the busiest month for many of them is January.

The number of U.S. visits by skiers and snowboarders is one of the barometers the NSAA uses to gauge the state of the industry. There were 60.5 million visits to ski resorts in the 2010-2011 season, up from 59.8 million in the 2009-2010 season.

While some people are seeking cold weather and snow, others choose to travel to warm-weather destinations in winter.

Lindsay Fruchtl, marketing director for the Tybee Island (Ga.) Tourism Council, says a winter beach vacation often means spending fewer dollars and no crowds.

“Tybee Island is an exceptional winter destination because there’s always something going on, the weather is mild, and the beaches are less crowded than during the busy summer season,” she says. “While much of the rest of the country is shoveling snow, we are building sandcastles on the beach. Plus, many Tybee hotels and vacation rental companies offer winter specials.”

Fruchtl says Tybee Island tends to do well during periods of economic downturn because the island is within driving distance from many large cities in the Southeast including Atlanta, Nashville, and Charlotte.

“We expect this winter to be a particularly strong season on Tybee Island,” she says.

Whether they rely on snow or sun this winter, many seasonal businesses have a bright outlook.