SnowSports Interactive-The Dilemmas of Being Born Global

“The best trick this winter won’t be done on skis or a board, it will be worn!” said Steve Kenny, CEO of Australian-based SnowSports Interactive. Steve was finishing up an early July 2006 presentation about SnowSports Interactive to a group of business professors. During the course of the presentation Steve explained a number of the strategic challenges the company faced with regard to its strategy --- including the risks address, the business model, and attracting investors. As he was finishing the presentation, Steve also talked about the company’s global strategy. He told the group,

We currently have one location, i.e., Mt. Buller. We need to be in more resorts in Australia but there are only five major and four minor ski resorts here in this country. The most lucrative market, of course, is the USA where there are 493 ski resorts. We could focus on Japan, but that takes a different protocol and we would have to redesign our technology. However, we have had inquiries from Japan and there are a couple of people associated with Hoikkaio resorts. We need to think this through.

History of the Company

SnowSports was born over a beer in January 2004. SnowSports founders Steve Kenny, Michael Brett, and Shubber Ali first met at the Australian Space Development Conference of 2002 in Sydney. The trio met again at the Space Futures 2003 Conference in Melbourne which Steve helped organize and where Shubber was one of the keynote speakers. Over the January 2004 beer the two talked about a concept for a product to track skiers and snowboarders on a mountain using a combination of Global Positioning System (GPS) and 802.11 wireless technologies to track a skier’s location and provide other real time information such speed, number of runs, and vertical distance travelled. Although the initial product was envisioned as a skier tracker system, Steve and Shubber recognized that there were would be other wireless services that a system installed at ski resorts could provide.
During 2004, Steve completed an analysis of the global ski industry, and identified key
gaps in the market and the combination of technologies available to fill them. In May
2005 SnowSports Interactive Pty Ltd was legally born as a private company in Brisbane,
Australia. The formal documents designated Steve as CEO and Shubber as Chairman.
The two SnowSports founders determined to build on the company’s core intellectual
property which combined the latest positioning, wireless, and identification technologies
with proprietary tracking and analysis software. In simple English, SnowSports
technology could locate people and assets at any ski resort in the world where the
company’s technology was installed.

SnowSports became an i.Lab member in November 2005 and located its offices in central
Brisbane at i.Lab’s incubator. i.Lab was part of the Queensland Government’s new
State-wide Technology Incubation Strategy. The incubator provided the company with
shared office administrative services such as reception and copying. In addition, the
i.Lab association gave the company access to leading Australian business figures who
could provide advice on a variety of business issues, potential funding, and also industry
connections.

From 2004 through spring 2006 SnowSports associates had concentrated on product
design and technology development of the company’s initial primary product, the Flaik.
Australia’s ski season ran from May to October. The target was to have a prototype of the
Flaik running at a minimum of one Australian ski resort during the 2006 ski season. Steve
was able to initiate a major opportunity when he met Tony Petersen at the Asia-Pacific
Alpine Investment and Development Summit in October 2005. Tony was Manager of
Property and Planning for Mt Buller & Mt Stirling Alpine Resort Management Board.
The Mt. Buller and Mt. Stirling ski resorts were located near Melbourne. (See Appendix
A for the 2003 visitor statistics for three Australian resorts.) After a series of meetings
and negotiations, SnowSports signed an agreement on March 31st 2006 with Buller Ski
Lifts Pty Ltd and Mt. Buller and Mt. Stirling Alpine Resort Management Board Pty Ltd.
The agreement called for a non-commercial trial for two SnowSports services --- the
tracking technology and also wireless Internet sales. The partners expected that the
system would initially be used to provide Mt Buller’s ski customers with access to
Internet services while they were in the Mt Buller ski area. When the SnowSports’
prototype was completed, the system would also be employed for skier tracking. Other services would come on board in future ski seasons.

SnowSports set up an office at Mt Buller, then set up and tested the Internet system, which the company called whispar™. The whispar™ system came into operation on June 9th 2006. Through whispar™, SnowSports provided Wi-Fi (802.11 b and g) services, enabling ski resort owners and operators, shop owners, employees, and resort guests access to the Internet via a wireless Local Area Network (wLAN) which covered a substantial section of the resort village and mountain. Through the remainder of June the number of skiers and snowboarders purchasing SnowSports Internet connection increased on a daily basis.¹

Steve and Shubber summarized SnowSports accomplishments since formation in May 2005 as follows:

- Completed seed funding round
- Completed a working prototype²
- Recruited an experienced management and research and development team
- Identified and commenced negotiations with strategic commercial and technology partners
- Executed a contract with Mt Buller & Mt Stirling Alpine Resort Management Board and Buller Ski Lifts.
- Launched whispar™ Wireless Internet at Mt Buller and were generating Wireless Internet Revenue.

¹ For further extensive information on whispar™ (including exhibits), please refer to www.whispar.com and www.whispar.com/mtbuller.
² The technology was working in a non-production model, i.e., on a circuit board. SnowSports development engineers were working on redevelopment of the configuration into an armband design model.
SnowSports Product/Services

Steve and Shubber recognized that once their wireless system was installed in a ski resort it would support multiple products and services including the initial skier tracker, Internet, and other wireless services. They envisioned the skier tracker as the company’s initial and core product. They called the product the Flaik. It was designed as a small light-weight tag to be worn by skiers and snowboarders. (See Exhibit 1 below.) The Flaik devices were to house multiple technologies including Global Positioning System (GPS) units to continuously monitor the position and time of users, 802.11g Wi-Fi units to transmit position and time data to a Network Operating Centre, and RFID chips to uniquely identify each tag. The company described the Flaik as allowing skiers, snowboarders, and downhill sliders to:

- Enhance their day on the slopes by keeping score of performance statistics and comparing performance data with friends, family, and competitors
- Relax, knowing that ski patrol knew the exact location of family members at all times, and in the event of an emergency be alerted via a panic alarm.
- Enjoy a worry free day by being able to locate the current position of friends and family anywhere on the mountain – an aspect that SnowSports’ founders expected would certainly appeal to parents
- Help ski schools instructor track the whereabouts of their students within the ski resort.
- Increase the potential number of runs skied in a single day
- Extend their skiing experience beyond the slopes by creating an online memory of their time on the mountain to share at a later date

See Appendix B for a simple six-step explanation of how the Flaik worked.

SnowSports associates described SnowSports’ purpose and advantage, “We’re focussed on dramatically enhancing the experiences of skiers, snowboarders, and downhill sliders world wide using proprietary developments that combine the latest in GPS, Wi-Fi, RFID technologies, and proprietary tracking and analysis software.” and “Our advantage is simple. We provide a simple, compelling user experience through the integration of the latest technology with unique, proprietary applications and services, all in a sleek package with a simple user interface”.
Exhibit 1. The Flaik - Red, Hot, and Sexy

SnowSports’ Strategy
Steve and Shubber envisioned a global strategy for SnowSports and identified several countries as target markets including Australia, the US, Canada, Japan, Europe, China, and New Zealand. They anticipated approaching ski resorts to check for expressions of interest. The expectation was to form partnerships with ski resorts and create a limited liability company with each resort. The limited liability company would be operated by a combination of the existing Australian team and the local team. The benefits offered to the resort partners would include:

- Increased safety for Ski School participants
- Improved peace of mind for parents of Ski School participants
- Improved efficiency of Ski School operations
- Increased revenue from existing resort operations
- Increased utilisation and value from resort assets.

As a SnowSports partner, each resort would have two options for the infrastructure deployment to choose from. This infrastructure would then be utilised to roll out the range of applications which SnowSports would provide to the resort operators and guests. The options Steve and Shubber identified were:
• Option one: Under this three-year agreement the resort would purchase the infrastructure. The agreement would cover the yearly license and service contract charges.

• Option two: Under this three-year agreement the resort would lease the infrastructure. The agreement would include the yearly lease, license, and service charges.

The partner resort would be expected to work with SnowSports to provide a user-friendly process for customers through three elements:

• Integrating Flaik and other SnowSports products and services into existing point of sales systems in order to simplify the rental process for users.

• Providing upselling of data to parents of Ski School participants.

• Providing optimal placement locations for Interactive Kiosks in congregation areas such as lodges for customers to use across the resort.

Revenue sharing opportunities between SnowSports and resort partners included upselling of performance data to parents of Ski School participants, provision of wireless access to customers using the whispar™ service, and rental of Flaik devices to non-Ski school participants (e.g., to parents so that children could identify where their parents were).

The SnowSports infrastructure and supporting system utilized equipment and technologies sourced from leading technology companies around the world and, where necessary, adapted to the alpine environmental conditions. Among the companies SnowSports was working with were: Wireless Tech Group, CMD, Power Converter Technologies, Strix Systems Inc, MassMedia Studios, and Abuzz Technologies.

SnowSports believed that its primary competitive advantage lay in continual innovation through an “evergreen research and development” (ERD) program, that would allow SnowSports to update the functionality, flexibility, and interactivity of its front-end user software on a seasonal basis and its hardware every 12-18 months. SnowSports expected to protect its intellectual property through a variety of means including patents, trade marks, copyrights, trade secrets, designs, circuit layouts, and through confidential non-
disclosure agreements. In July 2006 the company was preparing several Trademark Applications. (See Exhibit 2 below for SnowSports’ trademarks.)

Exhibit 2. Trademark Applications of SnowSports Interactive Product and Services

The Players
In early July 2006 SnowSports had nearly twenty associates who were either full-time or part-time employees or individuals contracted to provide services. SnowSports summarized the backgrounds of the seven key players identified as “The Core Team” as presented in Exhibit 3 below:
Exhibit 3. SnowSports’ Core Team

Steve Kenny – Managing Director
Steve has several years experience in technology start ups and management. He was previously CEO of Vitality Australia, a technology start-up focused on creating interactive environments within the health and fitness industry. He was the lead on the International Space Advisory Group Task Force, and currently works with and advises several organizations including: Engineers Without borders, The Inspire Foundation, Young Inventors International, and the International Young Professionals Foundation.

Michael Brett – Vice President of Engineering
Michael is an Aerospace Avionics Engineer with experience in the development of aircraft mission planning and visualisation applications for the Australian Defence Force. He was previously with Ball Solutions Group (BSG), where he specialised in the F-111 mission planning and rehearsal systems providing systems engineering expertise. In September 2005, Michael was selected by Engineers Australia as one of the Most Inspiring Young Engineers in Australia, recognising his work in space technology and education.

James Kennon – Vice President of Hardware Engineering
James is a systems engineer with several years of experience in microelectronic Engineering and IT. In his previous position with Ball Solutions Group he developed enterprise-wide logistics management software, embedded applications for EFTPOS terminals, F-111 computer-aided training tools and mission planning systems. James was also involved in ISO-9001 and CMMI based process improvement

Scott Mckay – Vice President of Resort Operations
Scott graduated from the University of Queensland in 2002 with a Bachelor of Civil Engineering (Hons). He worked as an engineer for Hatch Associates for 2 years, involved in a number of successful bids for large engineering projects. Scott founded a small IT venture called WolfByte Computers in 2003. He spent the majority of 2005 working as a consultant for Transmax Pty Ltd, as well as acted as an advisor and mentor to a number of small businesses and start-up companies. Scott is an experienced skier with extensive knowledge of the industry both in Australia and overseas.

John O’Brien – General Manager
John O’Brien is a Chartered Professional Engineer and Project Manager with twenty-eight year’s professional engineering, general management, and project management experience. With degrees of Bachelor of Engineering (Electrical) and Bachelor of Commerce, John’s strengths include excellent analytical and strategic planning abilities and experience across all aspects of project management processes including cost and schedule management, stakeholder management, human resource management, risk management, quality management, and procurement management.

Until recently John was engaged as Programmes Manager for Ball Solutions Group’s Business Systems and Applications Business Unit where he was
responsible for the management of the systems and software development projects conducted at BSG’s Amberley facility. These projects included the full lifecycle development of major Defence and commercial sector software systems across a range of technologies and business domains.

Shubber Ali – Director, Evangelism, Partnerships & Strategy
Shubber has 12 years of experience in the Aerospace and International Trade sectors. He is currently Executive Director of AstroVision Australia, a satellite imaging company based in Sydney that he founded in 2003 and sold into a public company in 2004. He was previously Manager of KPMG Space Consulting in Washington DC, director of a publicly traded telecommunication firm, and has served on the Board of Directors of the California Space Authority, the Space Frontier Foundation, and the International Business Association of the Greater Los Angeles World Trade Centre Association.

Mike Wallas, Director, Capital Raising & International Strategy
With over 22 years experience in the International IT industry, Mike has developed extensive business strategy, marketing, and channel expertise. He spent 9 years at Hewlett-Packard, and as a senior executive assisted H-P Europe with Channel Development and Strategy for the largest sector of their business.

Thereafter he became the Managing Director of the largest IT distribution operation in Africa with revenues in excess of $400m. At this time he was responsible for over 35 different vendor distribution and alliance agreements. As a Business Angel he has been involved in many start-up technology businesses and has added significant value to his investee companies through his extensive international networks. As CEO of Ephox Corp over 2.5 years he drove the growth and development of Ephox into an International business where today over 90% of their revenues are earned overseas and profits grew by over 400%. He sought and negotiated strategic agreements with large US Software vendors such as Vignette, Filenet, Kana, IBM and many others. He assisted with the raising of Angel funding, and drove the Venture Capital raising plans for the company.

As an advisor to a number of other businesses, including VoIP, Mining, Water Management, and Business Intelligence, Mike primarily focuses on international growth and expansion, channel development and strategic alliances.

SnowSports’ Financials
SnowSports’ initial funds came from Steve Kenny and Shubber Ali. The two then sought, as Steve put it, “our initial round of external financing from the Three F’s, i.e., Family, Friends, and Fools. We are currently placing a round for $1.5 million @ $3.50 a share. We’ve been lucky enough to have Mike Wallas, CEO of Enterprise Growth Solutions, come on board. He secured this round from a combination of high-net worth individuals, investment groups, and venture capitalists.” The Company had also secured government funding through the COMET (Commercialising Emerging Technologies) program and was preparing grant applications for Commercial Ready, the QLD
Innovation Start-up Scheme, and the Federal Government’s Export Market Development Grant. (See Exhibits 4 and 5 below for SnowSports’ five-year profit and loss forecast presented in a table and graphical presentation.)

### Exhibit 4. SnowSports Interactive 5 Year Profit and Loss Forecast

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Total Expenses</th>
<th>Operating Profit (Loss) Before Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006/07</td>
<td>$571,157</td>
<td>$1,216,358</td>
<td>$43,245</td>
</tr>
<tr>
<td>2007/08</td>
<td>$1,974,515</td>
<td>$1,198,310</td>
<td>$2,012,158</td>
</tr>
<tr>
<td>2008/09</td>
<td>$4,956,039</td>
<td>$2,199,310</td>
<td>$13,046,232</td>
</tr>
<tr>
<td>2009/10</td>
<td>$5,292,494</td>
<td>$2,193,310</td>
<td>$14,059,184</td>
</tr>
<tr>
<td>2010/11</td>
<td>$6,559,994</td>
<td>$2,190,310</td>
<td>$15,369,684</td>
</tr>
</tbody>
</table>

Source: Company Documents

### Exhibit 5. A graphical presentation of SnowSports Interactive 5-Year Profit and Loss Forecast

SnowSports Competitors

SnowSports had identified several competitors in the industry, namely NASTAR, Slope Tracker, Suunto, and NAVMAN. As indicated in Exhibits 6 and 7 below, SnowSports identified its competitive advantage in real-time remote monitoring, the ability to locate friends, and safety applications.
Exhibit 6. Feature Comparison Matrix between SnowSports Interactive and identified competitors

Exhibit 7 Feature Analysis of SnowSports Interactive Competitors

In simple terms, potential for SnowSports came from two main streams, namely, recreational GPS receiver and sports tool manufacturers, and recreational snow sports analysis service providers. Steve Kenny described the SnowSports’ answer to competition, “We’ve differentiated ourselves as a company that will provide customers a low-cost, easy to use service with functionality that far outstrips that provided by existing manufacturers and service providers.”

The Ski Industry³

The skiing segment of the Snow Sports industry was best known for downhill (or Alpine) skiing, snowboarding, and cross country skiing activities. However, “Extreme Skiing,” “Heli-skiing”, and Ski Mountaineering were also part of the activities marketed by ski

³ See “The Ski Industry in the Twenty-First Century’s First Decade --- a World-Wide Competition between Continents, Countries, and Regions” by Marilyn Taylor (www.taylorm@umkc.edu) and Xiaohua Yang (Xiaohua_Yang@Bond.edu). Draft manuscript privately available.
and resort marketers worldwide. The number of skier visits in the early 2000s was estimated at 330M and the skiers’ annual expenditures at US$40-50 Billion. (See Appendix C for websites related to the industry.)

The industry as a whole consisted of resorts, manufacturers, and retailers. There were ski resorts on all five populated continents, although opportunities varied by country. The major issue was the availability of sufficient snow for a long enough period of time to support a ski season. All of the countries were dealing with the warming trend that was affecting the world. In addition, each country’s level of activity depended on the development of its facilities, the status and rate of a country’s economic development, and the organization of its national and regional ski organizations. Other issues that affected demand for skiing included aging populations (See Appendix D for demographics of alpine skiers and snowboarders.) and visible events such as winning at various ski competitions throughout the world (e.g., the Winter Olympics). Equipment accessories were also a significant part of the industry revenues. (See Appendix E for a profile of ski equipment accessories.)

Many industry participants viewed the U.S./Canadian market as most favourable in the world in which to compete. These two countries had the most extensive industry information available publicly and the facilities at the U.S./Canadian ski resorts were the most developed and most reliable. Further, the decline of the value of the U.S. dollar and the increase in “no frills” airlines that served smaller towns had made the U.S. more attractive. Japan was one of the most active skiing nations during the 1980s. However, a number of factors had significantly depressed the Japanese ski industry which was struggling to resurrect itself. Europe had ski areas and resorts in most countries. The European ski areas had developed around mountain spas and some of the areas were among the most prized in the world. Russia had a wealth of mountains and snow. Although their facilities were generally old, Russian ski resorts had begun to attract an increasing number of international skiers.

In the Southern Hemisphere Australia and New Zealand each had a very limited number of ski resorts. Like many other countries in the world New Zealand especially had developed from clubs that built Alpine huts to shelter early skiers. Commercial ski resorts developed beginning primarily in the 1970s. South American skiing activity was
primarily in Argentina and Chile which were bordered by the Andes Mountains where there were several resorts. There was also some activity in Bolivia. Africa had a limited number of resorts, mostly in South Africa where the availability of snow was unpredictable, or in Morocco, a Northern Hemisphere country, where the season was maximum twelve weeks December through March and where the mountains were maximum 1K meters --- not very challenging even for average skiers.

All of the countries competed against each other both in international ski competitions as well as in the international market for skier visits. In addition, country regions, states/provides, and individual ski resorts competed with each other for their share of the skiers’ market.

**Conclusion**

In early July 2006 SnowSports was focusing on the final development stages of an armband prototype model of the Flaik, the “red hot tracking system packed with sexy technology that allows skiers and snowboarders to track anything and everything from how fast they were going and who are shouting drinks at the bar tonight.” In addition to the products envisioned from inception, SnowSports associates had begun to brainstorm the launch of its voice over internet provider (VoIP). Steve had made preliminary contacts with several ski resorts in the North American market and tentative outreach to ski resorts in other countries. He had begun to think about his travel itinerary for August and September 2006. The United States was his primary target, but he wondered if he should visit China and Japan en route.

Overall Steve and Shubber recognized that their company faced significant challenges. Among the questions they were asking themselves were: How can we minimize risks in such a competitive industry? What can we do to improve our business model? How can we attract investors that share the dream? Which countries should we spread their wings to? How should we spread our wings, i.e., what global strategy should we implement?
References


SnowSports Interactive (2006) *SnowSports Interactive Information Memorandum*, SnowSports Interactive, Brisbane, Australia


Appendix A – 2003 Visitor Statistics (Mt Buller, Mt Hotham, and Falls Creek)

![2003 Visitor Statistics graph]

Source: Company documents
Appendix B – How the Flaik Works

FOR: John Smith, a day visitor who registers and pre-pays online

Step 1: Register
John visits the SnowSports Interactive website, is intrigued by the product, and decides to register as a potential user of the system. During registration a personal webpage is created, basic demographic data is collected and a digital credit card imprint is taken.

Step 2: Pay
After registering, John is given the option to select the day he is heading to the slopes and book a Flaik™ Location Device for his personal use. John enters the dates for his trip and then pre-pays using the one-click payment function on the website. A few seconds later, John receives an email with a voucher that he needs to print and take to the slopes.

Step 3: Pick-Up
John picks up his Flaik™ Location Device from the same place he picks up his lift ticket for the day. The attendant scans his voucher along with the Flaik™ Location Device that she then hands him, automatically linking his personal information to that particular Flaik™ Location Device.

Step 4: Ski
John straps the Flaik™ Location Device to his arm and heads off to enjoy his day on the slopes.

Step 5: Interact
During his day on the slopes, John interacts with the system and accesses his personal data via kiosks, leaderboards, interactive windows, and the internet.

Step 6: Post-Season
John can log on to his personal webpage and view his performance on each Flaik™-enabled mountain he visited during the season, compare his rankings against other skiers, and potentially win prizes from various SnowSports Interactive sponsors and advertisers.

Source: Company documents
Appendix C - “Snow Sports Related Web Sites”

SIA Sites:  
www.thesnowtrade.org  Association site  
www.snowlab.com  Consumer site  
www.winterfeelsgood.com  National PR Campaign  
www.wintertrails.org  Winter Trails Snowshoe Program  

Industry Media and Association (Trade) Sites:  
www.nsaa.org  National Ski Areas Association  
www.saminfo.com  Ski Area Management  
www.outdoorindustry.org  Outdoor Industry News  
www.nsqa.org  National Sporting Goods Association  

Consumer Snow Sports Sites:  
www.powdermag.com  Powder Magazine  
www.snowboard.com  Snowboard  
www.skit.net.com  Ski news site  
www.skiracing.com  Racing news  
www.twsnow.com  Transworld Snowboarding Site  
www.skipressmag.com  Ski Press Magazine  
www.skimag.com  SKI Magazine  
www.Freeskier.com  Freeskier Magazine  
www.skiingmag.com  SKIING Magazine  
www.freezeonline.com  Freeze Magazine  

Olympic Sites:  
www.usoc.org  U.S. Olympic Committee  
www.usskiteam.com  U.S. Ski Team Info  

Source: Company documents and various websites
Appendix D – “Demographics of Alpine Skiers and Snowboarders”

Demographics of Alpine Skiers
(2003 Calendar Year)

Gender
Male, 57.4%
Female, 42.6%

Age

Household Income

Demographics of Snowboarders

Gender
Male, 65.7%
Female, 34.3%

Age

Household Income

Source: Company documents
Appendix E – Total Equipment Accessories Sold at Specialty and Chain Stores

Source: Company documents.
SnowSports Interactive - The Dilemmas of Being Born Global

Instructor’s Manual

Case Synopsis

In mid-2006, Australian-based SnowSports Interactive confronted reviewed its strategy components. Among the challenges was whether the business model as originally envisioned would work as Steve Kenny planned his upcoming trip to ski resorts in other parts of the world. Use of the industry note assists students in thinking through this dilemma. However, as a stand-alone assignment, the company case provides insight into the first year of the company’s formal existence.

SnowSports was both a technology-based company and a company that expects to be “born global”, i.e., to initiate significant international activity within three years of its founding. Among the issues students can explore are appropriateness of financing, risks inherent in the strategy (will require partnerships with each individual ski resort), the strength of the company’s resources to execute a domestic strategy, and the appropriateness of those resources for a global strategy.

Courses and Levels for the Case

The case may be used at the undergraduate or graduate levels in Strategic Management and Small Business/Entrepreneurship. In combination with the accompanying industry note, the case becomes more complex and the purpose of the case shifts more toward evaluation of the company’s global strategy.

Teaching Objectives

Students should be able to:

- Undertake a resource-based-view analysis including
  - Identification of the company’s core competence (through a) ○ VIRO assessment.
- Compare the results of their RBV assessment with a “standard” SWOTs assessment using
  - Value Chain for SWs
  - Five Forces and PEST for OTs.
- Compare the company’s strategy and progress to other new start-ups and to extant theory regarding start-ups.
- Identify the risks of the company’s business strategy as applied in its domestic market (i.e., Australia).
- Identify the risks of a “born global” strategy.
Theory Application

The SnowSports Interactive case provides opportunity for application of concepts from two major areas:

- Strategic Management: Applicable analytical concepts include SWOTs, Value Chain, Five Forces, PEST, RBV, and business strategy.
- Small Business Entrepreneurship: The same concepts apply as in Strategic Management. The “born global” concept appears in the small business/entrepreneurship literature.\(^4\)

Research Methods

The case lead author initially identified the case opportunity through her graduate assistant. That relationship led to a classroom visit and subsequently a workshop on “live cases” at an international meeting. For data sources the authors utilized field interviews with multiple individuals in the company, visited the company’s headquarters, had access to some company documents, searched for publicly available data on the company, and transcribed notes from an audio-recording of the workshop.

Suggested Teaching Approaches

The subject of the case, i.e., skiing, appeals well to students of traditional age as well as those who might be more mature. Thus, opening with a question that taps into the class members’ experiences on the ski slopes is an appropriate way of opening up the case. SnowSports at this point in its history is essentially a business-to-business company. Students may be aware of specific ancillary services and products that are offered when they buy lift tickets at a ski resort. Getting a list of the ancillaries up on the board will help to identify the broader array of products and services within which SnowSports will compete.

The discussion questions are provided in a sequence to first apply standard concepts, i.e., to set the stage for talking about the strategic dimensions of the company.

The instructor will have to decide whether to utilize the case as a stand-alone assignment or to assign it in tandem with the Industry Note, “The Ski Industry in the Twenty-First Century’s First Decade --- A World-Wide Competition between Continents, Countries, and Regions.” The Industry Note provides greater depth of understanding about the market potentials and risks of each country/area described in the Note. The Industry Note will be especially helpful if the instructor prefers to ask the students to spend more time focussing on the “born global” issues of the SnowSports strategy.

Suggested Assignment Questions

1. Assess the company as a potential investor. Use a thorough SWOTs analysis as a basis for your assessment. Use the following conceptual tools:

\(^4\) See reference list for the “born global” concept in the appendix.
• SWs: To assess the company’s strengths and weaknesses utilize Porter’s Value Chain model.
• OTs: To assess the company’s general environment, use PEST. To assess the company’s specific or competitive environment, use 5-Forces.

2. Identify SnowSport’s core competences. Utilize RBV and VIRO analytical tools in doing so.
3. What are the major risks the company faces in its domestic market?
4. What are the major risks the company faces as it pursues a “born global” strategy?
5. What advice do you have for SnowSports Interactive founders?

Analysis of Suggested Assignment Questions

#1. Assess the company as a potential investor. Use a thorough SWOTs analysis as a basis for your assessment. Use the following conceptual tools:

• SWs: To assess the company’s strengths and weaknesses utilize Porter’s Value Chain model.
• OTs: To assess the company’s general environment, use PEST. To assess the company’s specific or competitive environment, use 5-Forces.

A summary of a “good old” SWOTs analysis appears as Exhibit IM-1. However, to undertake a thorough analysis of the company, students should use Porter’s Value Chain model for the Strengths and Weakness and PEST (General Environment) and 5-Forces (Specific or Competitive Environment) for the Opportunities and Threats in the External Environment. These analyses appear in Exhibits IM-2 through IM-4.

Given the preponderance of threats and risks, it is clear that SnowSports is an investment for individuals with significant wealth bases. The company is not atypical of small start-ups, i.e., that the founders put in the initial funds and then turned to “family and fools”. The former investors are those who believe in the individuals, the latter are those who, presumably, who have high risk-taking profiles or can afford the risk, i.e., the investment is a small portion of their investment portfolios.

Students should be expected to articulate their concerns about the most salient risks. These are largely summarized in the SWOTs analysis in IM-1. In addition to being subject to all the risks that the ski resorts themselves are exposed to, SnowSports is also subject to the risks inherent in being a small, start-up technology company.

On the other hand, the world is at the founders’ feet --- ski resorts exist all over the world and, presumably, any ski resort customer would welcome the opportunity to keep track of his/her location and performance. In the Flaik SnowSports offers both dimensions to consumers. The company also has the potential for accumulating data on specific ski resorts and comparing results of operational performance across the ski resorts --- this kind of information can be a powerful tool for operational efficiency and effectiveness in an era of emphasis on measurement as a strategic dimension.

#2. Identify SnowSport’s core competences. Utilize RBV and VIRO analytical tools in doing so.
The IM-5 exhibit summarizes the RBV categories and VIRO application to the same. Given the analysis, SnowSports does not appear to have any core competences as judged by the application of the VIRO/E,S dimensions. Students may sometimes be shocked by the results --- but such results are not uncommon for small firms, especially a small, start-up firm such as SnowSports. The conceptual model appears more suitable for larger, more established firms who have had time to accumulate the “resources” suggested by the theorists who are engaged in this stream of work.

However, students might be asked “Where might SnowSports most readily develop its core competences?” The answer appears to be in its capability of combining extant technologies into an innovative product and its knowledge of the ski industry. Thus, in the iLab the emphasis has to be on a) developing the Flaik and other products/services while b) Steve Kenny’s excursions into the ski industry/market will accumulate a knowledge base and set of relationships. The company will need to be positioned to exploit all of these resource dimensions and a great deal of its ability to do so will rely on whether continuing funding can be found or generated and whether the organization can retain an organization made up of individuals with appropriate backgrounds for the company’s stage of development.

#3. What are the major risks the company faces in its domestic market?

Within Australia, SnowSports faces multiple risks. Near term the risk of the Flaik not working in a) early trials with real customers at Mt. Buller should be identified. If the first rollout doesn’t work, SnowSports is in deep trouble. Further, students may recognize that July puts the season about half completed in Australia (i.e., about equivalent to December-January in the Northern Hemisphere). Thus, speed is of the essence.

Another risk, however, is important --- Australia and New Zealand combined have a limited number of ski resorts. (The Industry Note provides additional information.) Thus, the company appears to be impelled to pursue a “born global” strategy in order to fulfil expectations of the seed capitalists who took significant risk and expect associated returns.

Further, SnowSports faces generic risks associated with the alliances it forms with both its technology and marketing/operations partners. On one hand SnowSports is dependent on its alliances with technology partners for current and future product development. On the other hand, the company will be dependent on its alliances (expected to be limited liability company with each ski resort) with each ski resort.

#4. What are the major risks the company faces as it pursues a “born global” strategy?

SnowSports is clearly an example of a “born global” company as it plans to initiate its global strategy during its second or third year of existence. Further, in its technology alliances it is already “born global”. The next steps are in marketing/operations. The impelling factors toward being “born global” are three-fold. First, the market in the home country, i.e., Australia, is, as noted earlier, not sufficient to drive sufficient reward for
initial investors. Second, the technology itself (GPS combined with related technologies) suggests the need for a global strategy. 

All of the dimensions of SnowSports’ strategy --- alliances with the technology partners and alliances with the operations/marketing partners will need to be managed. As currently envisioned, each partnership may be fairly small. (See Industry Note for some contra information regarding consolidation of the North American ski resort industry.) Each alliance, as noted above, will need to be managed.

Each alliance must be managed and is subject to the risks of the partner’s organizational continuity, the management of the relationship between the partner companies, as well as the PEST dimensions of the countries within the partners primarily reside, where the contracts are negotiated, and where operations are formed. The envisioned strategy has a complex web of risks.

#5. What advice do you have for SnowSports Interactive founders?

SnowSports will need to aggressively and effectively manage the triage --- financial, product development, and operations/marketing. All are initially marketing tasks --- all partners must be convinced that SnowSports is a good bet to “get in bed with”:
- Investors re making the investment
- Technology partners that SnowSports can effectively combined their technologies
- Ski resorts that it is in their best interests to make their facilities and capabilities in operations and marketing available for the SnowSports products and services.

So far SnowSports appears to be able persuade partners to come on board. Technology partners are sufficiently on board that the technology works in prototype. However, only one ski resort has “come into the fold” thus far --- Steve Kenny has a huge task to persuade other ski resorts --- some very sophisticated operators --- to partner with his firm.

Further, once the initial alliances are formed, SnowSports must move from the marketing task to the operating task. This evolution --- i.e., from negotiating to managing the relationships --- will take a different set of capabilities. As the evolution is occurring, will the company be able to sustain the individuals currently employed? Or, will the company’s employment be essentially a revolving door as it transforms itself to meet its future needs.

Epilogue

---

By the latter part of the Australian 2006 ski season, SnowSports had been able to initiate a limited trial of the Flaik at Mt. Buller. During the 2007 ski season the company was involved to full roll-out at Mt. Buller. However, the company’s cash flow did not permit financing of SnowSports-owned infrastructure at other ski resorts.

Nonetheless, by November Steve Kenny began to visit various North American ski resorts. By spring he had signed the first contract with the largest of the Canadian ski resorts. More importantly, SnowSports recognized that it would have to partner with the Internet providers and had signed its first contract with Canada’s Telus, a significant player in the Internet provider market in Canada.

However, cash burn was a significant problem. Whether the company could actually implement in order to exploit the relationships it was forming continued to be a major question.
References


Barney, J. B. *Gaining and Sustaining Competitive Advantage* (Reading, MA: Addison-Wesley, 1997).


### SWOT Analysis

#### Strengths

- Proprietary technology
- Varied and strong backgrounds among the “Core Team”
- (Apparent) support from the Australian government

#### Weaknesses

- Have not yet field-tested the technology (Mt. Buller has only the infrastructure and Internet wireless service available.)
- Financials suggest that the seed funding of $1.6M will soon run out (Projected $1.5 inflows and $1.6 outflows).

#### Opportunities

- World-wide opportunity (There are resorts on the five populated continents.)
- Ski resorts would certainly welcome additional sources of income suggesting that the company is well-positioned to offer them technology-related opportunities.
- In the current environment technology and especially wireless transmitted technologies often appeal well to consumers.

#### Threats

- Short and intermediate term:
  - SnowSports is subject to the same risks to which ski slopes are subject, especially weather and, more recently, rising fuel costs.
  - The industry is faddish (For example, during an Olympic year there will be more interest in skiing.)
  - Distance from Australia to the U.S., a major market and the cost of travelling to undertake the initial marketing of the firm
  - There is competition from other products and SnowSports has identified its unique advantages primarily in application terms (e.g., locate friends through GPS).

- Long-term: The global warming trend threatens the industry. [Resorts will not be able to stay open as long, leading to higher costs per visit. Other necessary expenses (e.g., fuel) limit individual’s available cash for recreation and, in any event, other accessories for the ski slope will compete for remaining funds.]
### Exhibit IM-2 SnowSports Interactive SWs Assessment using Value Chain

<table>
<thead>
<tr>
<th>Category: Dimensions</th>
<th>Company</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary Activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Inbound logistics</td>
<td>The company is currently in the technology development phase. Thus, setting up at the beta site (Mt. Buller) was critical. Relationships with technology partners will also be critical and subject to both the influx and instability inherent in technology companies.</td>
<td>The infrastructure is working for wireless Internet access --- will it work with the Flaik technology? The company is also subject to the risk of being leap-frogged in terms of competition.</td>
</tr>
<tr>
<td>• Operations</td>
<td>Currently operations are carried out in the iLab in Brisbane, Australia.</td>
<td>The company is thus subject to the “hospitality” of the Australian government, e.g., when will the government officials decide not to fund and iLab and when will SnowSports become too big to fit the profile that the government is looking to subsidize in this manner?</td>
</tr>
<tr>
<td>• Outbound logistics</td>
<td>SnowSports will need to be responsible for all technologies</td>
<td>The vision is to have products and software in use all over the world.</td>
</tr>
<tr>
<td>• Marketing</td>
<td>There are several stages: Immediate: persuade ski resorts to become partners based on the results with Mt. Buller. Longer-term: the company wants to accumulate data from the ski resorts to package and resell.</td>
<td>The results from Mt. Buller are only partial, i.e., Internet wireless access only. Whether SnowSports can persuade the ski resources to share their data is an open question.</td>
</tr>
<tr>
<td>Supporting/Secondary Activities</td>
<td>Description</td>
<td></td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------</td>
<td></td>
</tr>
<tr>
<td>After-sales service</td>
<td>The company will have to service products and software in use all over the world.</td>
<td>Huge downstream risk.</td>
</tr>
<tr>
<td><strong>Product R&amp;D, Technology, and Systems Development</strong></td>
<td>Wireless access at Mt. Buller works. The prototype of the Flaik is completed. The company appears to have proficiency in the technology development area (see above): Brett (VP Engineering) and Kennon (VP Hardware Engineering) have backgrounds that appear appropriate.</td>
<td>The dependence on the technology of others has been noted above.</td>
</tr>
<tr>
<td><strong>Human Resources Management</strong></td>
<td>Unknown. The company managed to hire 20 full and part-time people, but no description is given of how or how able the employees are beyond the “Core Team”.</td>
<td>Further, the company will undoubtedly have difficulty staffing appropriately if growth suddenly becomes rapid.</td>
</tr>
<tr>
<td><strong>General Administration</strong></td>
<td>All of the seven individuals on the “Core Team” have apparently appropriate formal training in their backgrounds. Mckay appears to be the most junior (with about five years experience after graduation).</td>
<td>The balance of skills (strategy, financial, engineering) appears to address the needs of the company at this point in its development.</td>
</tr>
</tbody>
</table>
**IM-3 SnowSports Interactive**  
The General Environment – A PEST (+G) Analysis

<table>
<thead>
<tr>
<th>Dimension</th>
<th>Opportunities</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political</td>
<td></td>
<td>The company will be subject to all the regulatory dimensions of each company with regard to intra and inter-net transmission. The company will also be subject to trade regulations between countries.</td>
</tr>
<tr>
<td>Economic</td>
<td>Rising fuel costs and general economic conditions will significantly affect the ski industry. Thus it is highly susceptible to the economic cycle within countries as well as across countries.</td>
<td></td>
</tr>
<tr>
<td>Social</td>
<td>Individuals are exhibiting behaviour that suggests they are more interested than previously in keeping in touch with each other.</td>
<td>The various dimensions may cancel each other. The aging phenomenon does not bode well for ski demand longer-term.</td>
</tr>
<tr>
<td>Technological</td>
<td>Technology “gadgets” tend to appeal to today’s consumer.</td>
<td>Technology lives are shortening in general thus SnowSports will have to run hard to stay even with or somewhat ahead of its competitors.</td>
</tr>
<tr>
<td>Global</td>
<td>There are opportunities on the five continents with the most opportunity in the Northern Hemisphere, i.e., U.S./Canada, Japan, and China --- perhaps in that order.</td>
<td>The political, economic, and social dimensions outlined above will be very much increased in terms of complexity. Risks of the “born global” strategy are likely to be high.</td>
</tr>
</tbody>
</table>
### Exhibits IM-4 SnowSports Interactive
### Specific or Competitive Environment Assessment Using the Five-Forces Model

<table>
<thead>
<tr>
<th>Dimension of the Model</th>
<th>Opportunity</th>
<th>Threat</th>
</tr>
</thead>
<tbody>
<tr>
<td>Suppliers</td>
<td>New technologies are extant and springing up all over the world. Thus the opportunity to partner appears to be readily available.</td>
<td>However, companies with new technologies tend to be highly unstable. Thus, the company has to be very prepared for the possibility of a</td>
</tr>
<tr>
<td>New Entrants</td>
<td></td>
<td>Barriers to entry to the niche SnowSports has identified do not appear high especially at this point where the company has a formal relationship with only one ski resort.</td>
</tr>
<tr>
<td>Substitutes</td>
<td></td>
<td>There are certainly GPS systems available (e.g., Garmin, the initiator of the industry) and</td>
</tr>
<tr>
<td>Buyers</td>
<td>Potential buyers are any individual who buys a ski-lift pass, a fairly large market in terms of individuals. However, the aging phenomenon suggests ski resort patrons may have more funds available to spend.</td>
<td>There has not been significant growth in the number of ski passes sold. As noted in the PEST analysis, the aging phenomenon may diminish ski resort visits over the longer-term.</td>
</tr>
<tr>
<td>Degree of Rivalry among Competitor Companies</td>
<td>Current competitor rivalry may not be high as the competitor companies are not yet household names.</td>
<td></td>
</tr>
</tbody>
</table>
### IM-5 SnowSports Interactive
#### RBV and VIRO Assessments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangible Resources (2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employees</td>
<td>Varied in backgrounds. “Core Team” has balance and depth</td>
<td>V, perhaps O/E</td>
</tr>
<tr>
<td>Technology</td>
<td>Depends on partnerships with other firms</td>
<td>V, I(?), O/E(apparently)</td>
</tr>
<tr>
<td>Financial</td>
<td>Appears to be on track with plan, but small technology firms typically run significant risk of running out of funds.</td>
<td>V</td>
</tr>
<tr>
<td>Physical</td>
<td>The firm does not have plant and facilities, but relies on others. For example, the current headquarters are dependent upon government “hospitality”</td>
<td></td>
</tr>
<tr>
<td><strong>Intangible Resources (2)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brand name</td>
<td>Doesn’t have</td>
<td></td>
</tr>
<tr>
<td>Trademarks</td>
<td>whisper™, Flair™, Flaik™, snowsports interactive™</td>
<td>V?</td>
</tr>
<tr>
<td>Patents</td>
<td>None are described</td>
<td></td>
</tr>
<tr>
<td><strong>Organizational Capabilities (2)</strong></td>
<td>Ability to combine technologies from other firms.</td>
<td>V,</td>
</tr>
</tbody>
</table>

(1) Text and theory authors variously identify these assessment questions as follows: V= Does the dimension have value for the consumer? I= Is the dimension inimitable (i.e., not readily imitable)? R = Do many other competitors have this aspect? O/E = Is the organization positioned to exploit the dimension? Some authors use other acronyms such as VRIO, VRES, VRIS, VRIS. The “S” generally asks: Is this dimension substitutable? [See J. B. Barney, Gaining and Sustaining Competitive Advantage (Reading, MA: Addison-Wesley, 1997), pp. 145-164 for the classic work in this area as well as an expanding literature using the Resource-Based-View (RBV) approach. For example texts see Thomas Wheelen and J. David Hunger, Strategic Management and Business Policy (Pearson: Prentice Hall, various recent editions) and Greg Dess, Tom Lumpkin, and Marilyn Taylor, Strategic Management: Creating Competitive Advantages Second Edition (Burr Ridge , IL: McGraw Hill Higher Education, 2004).]

(2) **Tangible Resources** (relatively easy to identify; includes physical and financial assets used to create value for customers; e.g., financial, physical, technological, and organizational), **Intangible Resources** (more difficult for competitors (and the firm itself) to account for or imitate, typically embedded in unique routines and practices that have evolved over time, e.g., human, reputation, and innovation/creativity), and **Organizational Capabilities** (includes competencies or skills that a firm has developed that permits the organization to combine its tangible and intangible resources in such a way as to effectively and efficiently attain its strategic objectives, e.g., excellence in customer service; product development capabilities; innovativeness of products and services; and ability to hire, motivate, and retain human capital — See Greg Dess, Tom Lumpkin, and Marilyn Taylor, Strategic Management: Creating Competitive Advantages Second Edition (Burr Ridge , IL: McGraw Hill Higher Education, 2004).