



WeatherBill Case Study:

Flagstaff Nordic Center Ski Season Guarantee

COMPANY OVERVIEW

Flagstaff Nordic Center is located in the Coconino National Forest 15 miles northwest of Flagstaff, Arizona with over 35 miles of ski, snowshoe, biking, running and equestrian trails. During the winter the Nordic Center offers skiing, snowshoeing, ski clinics and private lessons. The Nordic Center also offers lodging and hosts family-oriented special outdoor events year round including a marathon, a duathlon, and cross-country ski races.

CHALLENGE

Consistent drought threatened ski resort profit

Long range forecasts have not been favorable for the Arizona ski industry, and neither has history. For the past 12 years, winters in Arizona have been extremely dry. On November 13th, 2007, the National Oceanic and Atmospheric Administration (NOAA) reported that 93 percent of the state was under drought conditions. On that day in 2006, 94 percent of the state was in a drought. NOAA reports that a record was set in 2005: More than 90 percent of weather stations in Arizona were snow free on January 1, the most snow-free locations in 40 years.

Other weather-sensitive industries have developed financial tools to prevent extreme weather from impacting their profits. Energy companies have used weather contracts to protect against unseasonable weather for more than a decade. After working in the energy industry, Wendell Johnson, the owner of the Flagstaff Nordic Center, knew bad weather protection was available. The hard part was finding protection that fit his business.

"I knew weather contracts were out there so when I purchased this business three years ago I started looking for the equivalent to protect the Nordic Center," said Johnson.

While investigating available contracts Johnson ran into three problems. First, most contracts offered precipitation protection in Salt Lake City, creating a considerable amount of basis risk. Second, contracts were bigger than what he needed, many offering a years-worth of protection exclusively. Third, the contracts were too expensive.

SOLUTION

Offer weather-related refunds to season ticket holders

In April, 2007, Johnson found the protection he was looking for after reading an article on WeatherBill.

"WeatherBill offered what I was looking for. First, my basis risk is considerably lower because I can purchase protection based on precipitation at Flagstaff International Airport [20 miles from the Nordic Center]. Second, WeatherBill is geared towards protecting smaller businesses and the contracts are customizable."

Johnson eventually purchased seasonal weather protection for the Nordic Center and weekend protection for special events, but he first applied WeatherBill to his business model by creating a custom weather promotion for season-pass purchases. The goal was to increase early season pass sales by overcoming his customers' fears of another dry winter.

The promotion was simple. If Flagstaff's airport received less than two liquid inches of precipitation -- or about two feet of snow -- between Nov. 23 and March 23, pass holders who bought before Nov. 1, 2007 would be refunded the full purchase price of the pass. Two feet of snow at the airport typically means four feet of snow at the Nordic Center because of the extra 1,000 feet of elevation.

*On reverse:
Flagstaff boosts preseason sales 60-70%*

RESULT

More season tickets sold in 2007 than in the past two years

Instead of making the promotion optional for season pass holders, Johnson turned the promotion into a service that attracted new customers and benefited Flagstaff Nordic Center's regulars.

"It's good to give our existing customers an additional service," said Johnson. The additional service would also benefit the Nordic Center.

Benefits for Flagstaff Nordic Center

Johnson said the promotion helped boost preseason sales by an estimated 60 to 75 percent and appealed to a new audience.

"We had a really good response," Johnson said. "We sold more preseason passes this year than in the past two years, especially since the promotion helped attract new customers and people that were sitting on the fence."

The promotion also got the attention of local and national media. "We have a unique story to tell because of this guarantee," said Johnson.

Benefits for Season Pass Holders

"The promotion was very well received and easy for customers to understand," said Johnson.

The risk of a bad ski season was taken off the shoulders of season pass holders. Instead, WeatherBill took on the risk by potentially paying the Nordic Center and season pass holders for bad weather.

About WeatherBill, Inc.

WeatherBill launched in January, 2007, created by former Googlers. It is the first online service to help individual businesses, large or small, protect revenue and control costs from bad weather. WeatherBill provides affordable weather protection customers can design and purchase in minutes. There is no underwriting, claims process, or proof of loss. Everything is completely automated. Funds are held in trust for immediate availability, backed by two of the world's largest private equity firms and a leading \$2 billion catastrophe reinsurance and weather risk fund manager.

WeatherBill's flexible coverage can protect a year, season, weekend or a day from rain, drought, heat, cold or snow.

Visit www.weatherbill.com or call 888.924.7475.

For more on Flagstaff Nordic Center visit www.flagstaffnordiccenter.com.

