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Big Mountain Summary

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OVERVIEW

Historically, Big Mountain has chosen to price their lift tickets based solely on the average price among market segment competitors. This is a safe way to determine a price, but by creating a model that effectively weighs important features against lesser features, a more accurate and respective price can be determined.

Some features mean more to customers in different regions than others. For example, in densely populated areas where the terrain may not be as mountainous, total skiable hours per day may be of greater concern given the sheer volume of skiers to available terrain. In other regions, it may be the expansiveness of the skiable terrain and less interaction with skiers that draws people. The model I created weaves a common thread among many resorts across the country to highlight what features offered make the greatest impact on lift ticket price. With this information, we can more accurately determine our lift ticket price and help assist with visualizing how we will move forward with structural improvements at the resort to further drive value for our customers.

INITIAL FINDINGS

Currently, Big Mountain charges $81.00 per ticket. The model I created predicts that an appropriate price is closer to $91.29 with an expected mean absolute error of $10.46. With this in mind, even a marginal increase in Big Mountain's per ticket price seems prudent based upon current facilities.

Management should consider closing up to 2 of the least popular runs, and if 2 runs were closed, it would account for a loss in revenue of ($1,420,290). This would free up cash flow spent maintaining these runs, and could lead to repurposing those runs to become 'terrain parks' and hopefully increase ridership to these underutilized areas. Keep in mind, creating 1 terrain park is estimated to increase per ticket price by $0.08 and an increase of revenue of $152,173, so the gain would not be made up by simply investing in terrain parks, but the decrease in operational expenditures should help mitigate the decrease in revenue.

After further testing, if Big Mountain were to install or upgrade 1 chair lift to a 'fastQuad', increase the vertical drop approximately 200 feet, and create only 4 more acres of skiable terrain, a ticket price increase of $25.45 would be suggested. But accounting for the mean absolute error of $10.26, a more conservative lift ticket increase of $15.19 becomes clear. Increasing lift ticket pricing by $15.19 would also account for an increase in revenue of $26,582,500 per year.

Given Management's stated importance on cost-saving measures and upgrades, I suggest shutting down 1 to 2 runs and consider repurposing those runs to stimulate interest in a historically low interest area, but more importantly, invest in increasing the vertical drop of Big Mountain while simultaneously upgrading and installing 'fastQuad' chair lifts. It's apparent that customers have a desire to experience resorts that have a significant vertical drop as well as fast, efficient, state-of-the-art chair lift technology. The 'fastEight' category was not even considered in the making of this price model, simply because all but one resort had one installed, so creating a business strategy centered on increasing skiable terrain by increasing vertical drop and by making that terrain easily accessible will drive a more customer-focused experience at Big Mountain.

RECOMMENDATIONS

Next Steps:

1. Provide more expense data. There was no information provided in regards to general operational costs or even broken down to a per/run basis. Understanding how much capital is spent to operate one run will provide insight into how much money is saved to help offset any decrease in revenue by the closing of said run. Also, what are the construction costs associated with expanding vertical drop? Is it possible to upgrade chair lifts instead of installing new ones? If so, are the other chair lifts able to provide service to the skiable area that the out-of-service chair lift served?

2. Big Mountain must start measuring how many runs each customer enjoys per day. How do we know what runs are the least popular? Is it a visual estimation or a quantifiable measurement? Understanding why customers choose the runs they do will provide valuable insight as to the more desired experiences at Big Mountain.

3. What will make Big Mountain unique and warranting of a higher price tag? From this pricing model, we can make a better estimate on our chargeable rate based solely on what is available at other comparable resorts. The next step would be determining what among the measured features leads to a justifiable increase in ticket price, how we can implement them, and once provided with ridership frequency data, we can improve the

speed of service and allow our guests to enjoy their favorite runs more often. Personal question: If currently you could only experience your favorite run 5 times per day, would you prefer to ski it 7 times? Or with a more efficient lift system and increased vertical drop, would you use your extra time to ski a historically underutilized area? By finding out why the least popular runs become the least popular, we will have insight as to how to prevent a difference of interest in the future.

It's become apparent that given the disparity of modeled price to actual price, Big Mountain may be underpricing itself based on its greater distance from a large metropolitan area in relation to comparable resorts. A built-in price discount may be helping offset the distance traveled to experience Big Mountain and a smaller pool of skiers available within its region, but it provides an opportunity to make the resort even more unique and give customers a better understanding about why they are choosing Big Mountain. And how do we make that? By making Big Mountain resort 50% skiable in one day versus 30% the previous year or by increasing the run per customer per day ratio by upgrading/installing 'fastQuads' and possibly a 'fastEight' chair lift.

The model itself is ready for further exploration and has been curated to a 'plug-and-play' mode for easy argument inputs. If management wishes to include expense data or include other features to the Dataframe and then the model as well, I'm available to help. Otherwise, I wish management the best when making further decisions and keep me in the loop so I can adjust the model moving forward and have it adjusted and deployable on a short-notice basis.