

Big Mountain Resort

Pricing Strategy: Analysis and Recommendations

Problem Identification

Given Big Mountain's offerings in the national marketplace, what is the ski resort's pricing strategy to capitalize on its offerings, over the next 3 years?



Current Situation

- Customers
 - 350 customers annually
 - Resort services skiers of all levels
- Planning
 - Recent chair addition, increased annual operating costs by \$1.54M
 - Considering more investments and removal of up to 10 runs
- Price
 - Premium priced in the Montana state market, at \$81

Recommendation and Key Findings

Recommendation	Findings
Increase ticket price by \$2, since latest chair installation increased operating cost by \$1.5M	\$3.47m incremental revenue in one season, supported by \$1.99 increase associated with adding 1 chair
Remove one run, and add lift to a point 150 lower association with increasing the vertical drop.	\$3.47m incremental revenue in one season, supported by \$1.99 increase associated with adding 1 chair
If necessary, remove up to 5 runs. Avoid 6 or more.	-\$2.0m revenue impact for removal of more than 5 runs
Strengthen and amplify marketing, highlighting the strength of Big Mountain's key features, particularly to customers coming from outside Montana.	Strong nationwide position on key features (ie. skiable area, total runs, longest runs, snow making).

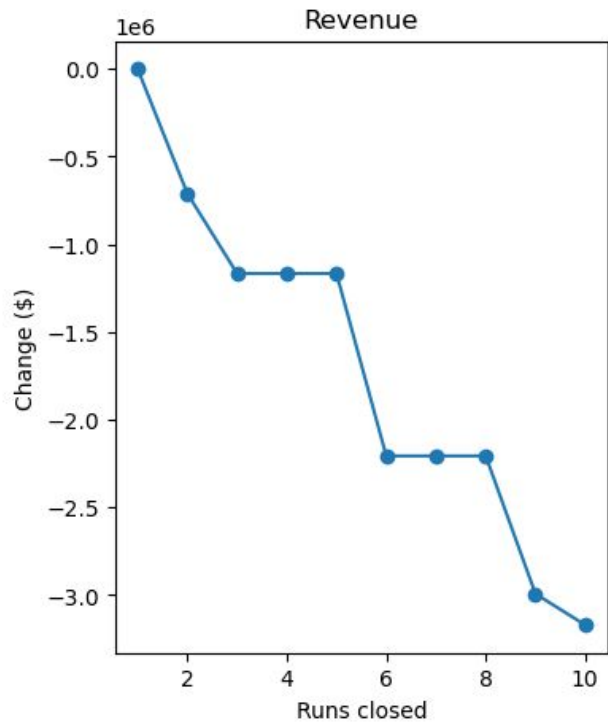
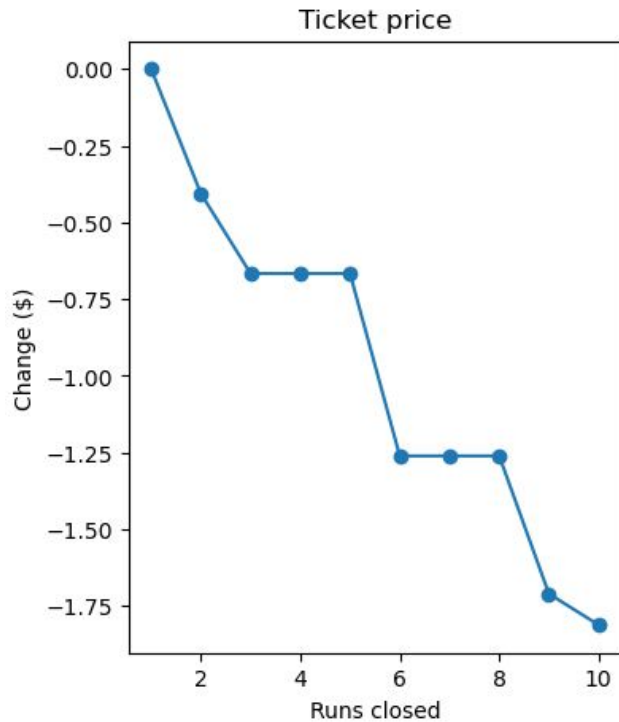
Modeling Results

The following ideas were collected from BH executive team to model the impact potential of additions or removals to the resort.

Sce	Business Description	Model Result
1	Permanently closing down up to 10 of the least used runs. This doesn't impact any other resort statistics.	Closing closing 10 runs impacts price support by, - \$1.80, with a -\$3.2M impact to revenue.
2	Increase the vertical drop by adding a run to a point 150 feet lower down but requiring the installation of an additional chair lift to bring skiers back up, without additional snow making coverage.	Increases support for ticket price by \$1.99. Over the season, this could be expected to amount to \$3.47M revenue.
3	Same as number 2, but adding 2 acres of snow making cover.	Adding snow making does not increase support for snow– no difference from 3.
4	Increase the longest run by 0.2 mile to boast 3.5 miles length, requiring an additional snow making coverage of 4 acres	No difference.

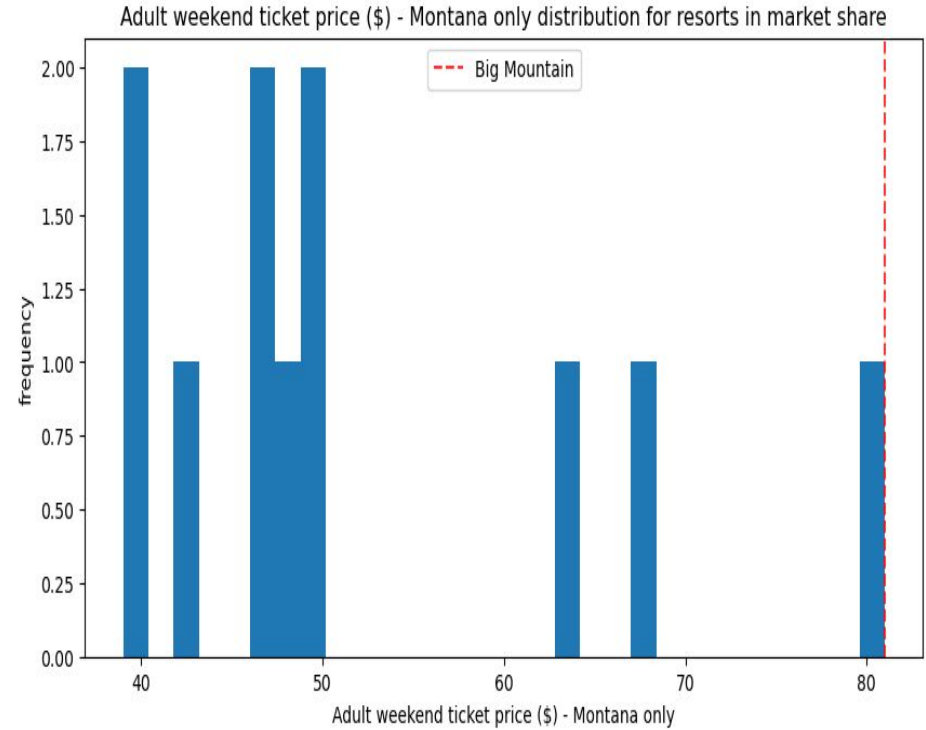
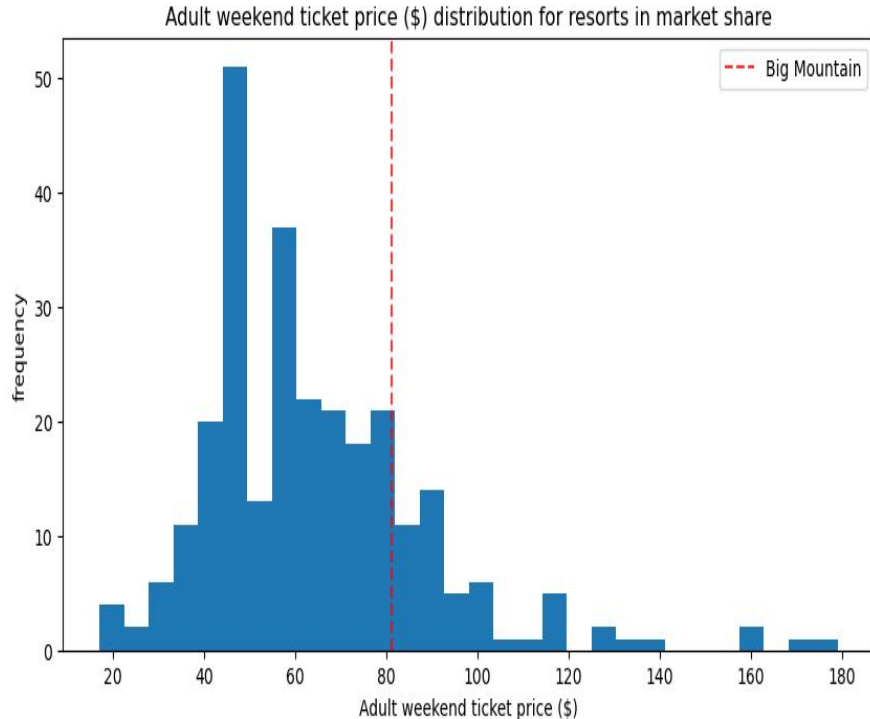
Modeling: Closing 10 runs affects \$1.80 per ticket (-\$3.2M in revenue)

Closing one makes no difference. Increasing the closures to 6 or more leads to a large drop.



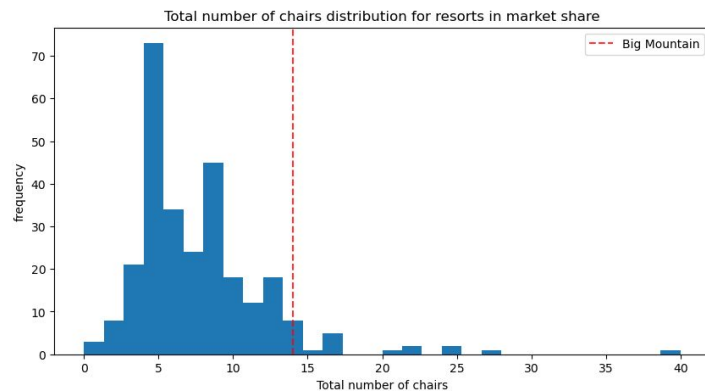
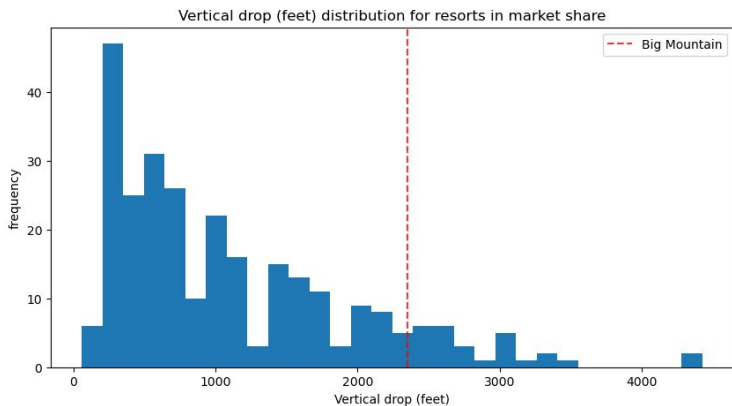
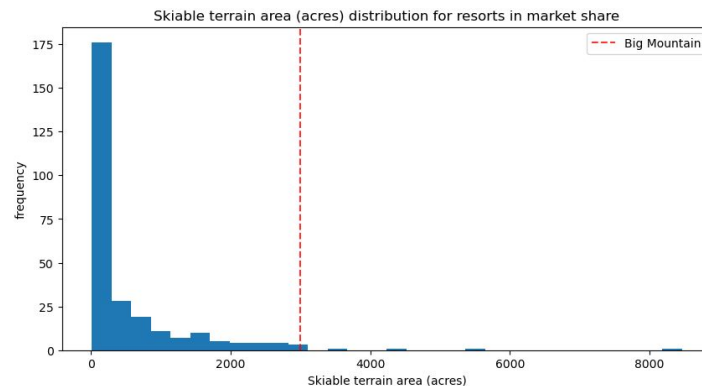
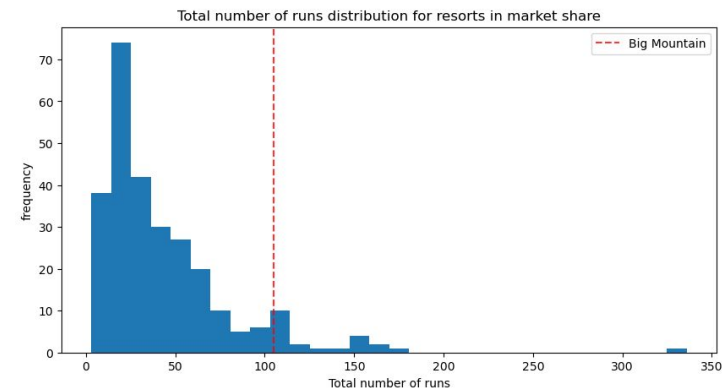
Insights: BM price not among highest in the market

Though premium in Montana, BM price has a lot of room before top of market.



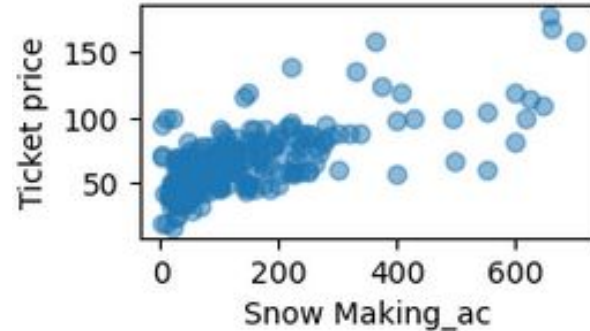
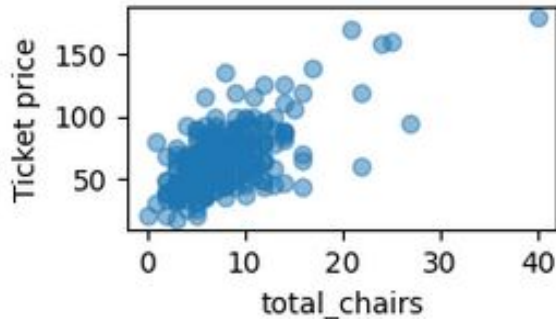
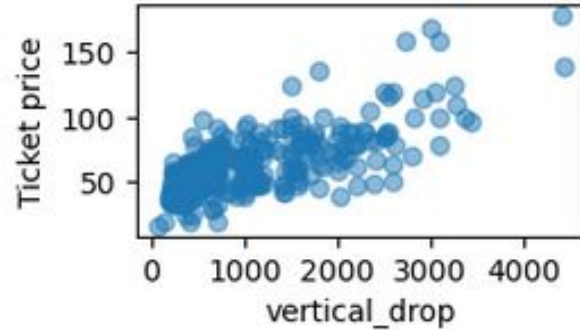
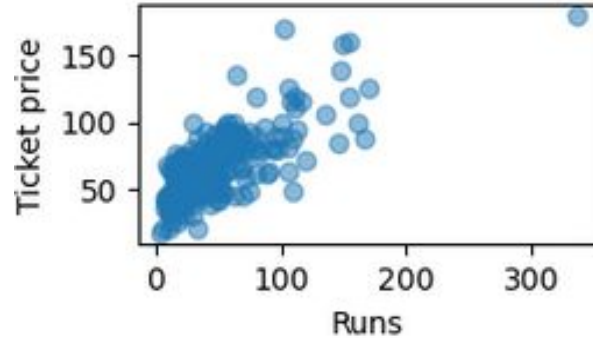
Insights: For key features, amongst a select group

BM is amongst a select group with # runs, # chairs, ski area, and high vert drop.



Insights: Focal features Correlated with Price

4 of 5 features illustrated below have a linear relationship to price



Conclusion

What should BM's pricing strategy be to maximize new and existing investments in the resort?

- Big Mountain is provides skiers of all levels offerings typical of premium resorts in the nationwide market. To maximize, BM should position itself among these resorts outside of Montana.
- Given the chair added and plan to increase the vertical drop, this would potentially result in two individual \$2 increases to price, each generating \$3.47M annually (or \$6.9M total). Consider these separately, since it's unclear if they are unassociated outcomes.
- Avoid closing 10 runs, which would cut over 90% (\$3.2M) of the revenue gained from the above price increase. Consider closing up to 5 runs.