

GUIDED CAPSTONE PROJECT REPORT

The Big Mountain Resort has experienced an increased operating cost of \$1,540,000 due to installation of a new chair lift. This installation was done to help increase distribution of visitors across the mountain. Despite this, the investors want to keep the current profit margin at 9.2%. Hence, recommendations are needed by the resort on how to recoup the increased operating costs during this season.

Simply put, the plan of investors to keep the current profit margin of the resort at 9.2% means that the increased operating cost needs to be recovered in full.

As it stands currently, the resort opened to visitors 123 days last year and charged \$81 per adult for all days of the week. Based on available data, it was projected that the resort will be opened 123 days for up coming season. There were missing data on daily average number of visitors that visited the resort and current total operating cost was likewise not given.

In light of the above given and missing information, assumptions will be made to give the best recommendations on how to recoup the increased operating cost at the resort. An internet search of average annual visits to Whitefish Mountain Resort which is similar in size and elevations to Big Mountain Resort showed that the resort has only gone past 300,000 visitors during 4 different seasons. Hence, 300,000 visitors to the resort will be used as baseline for recommendations to be given.

The vertical drop of Big Mountain Resort is 2353ft with summit elevation of 6817 ft. From figure 1 below, it can be seen that Big Mountain Resort ranks amongst resorts with biggest vertical drops and this can be considered as an advantage for the resort as visitors have access to high skiing elevation.

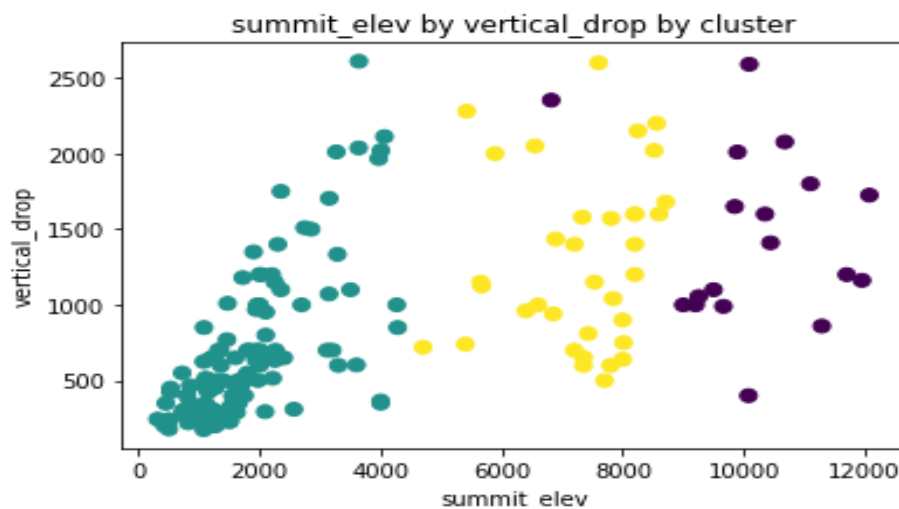


Figure 1: Summit Elevation by Vertical Drop.

Based on figure 2 where relationship between adult weekend price and vertical drop was examined for all resorts in the data set, Big Mountain Resort ranks amongst resorts with highest adult weekend ticket prices. Only 13 resorts sell tickets at higher prices and the vertical drops of these resorts are lower compared to Big Mountain Resort.

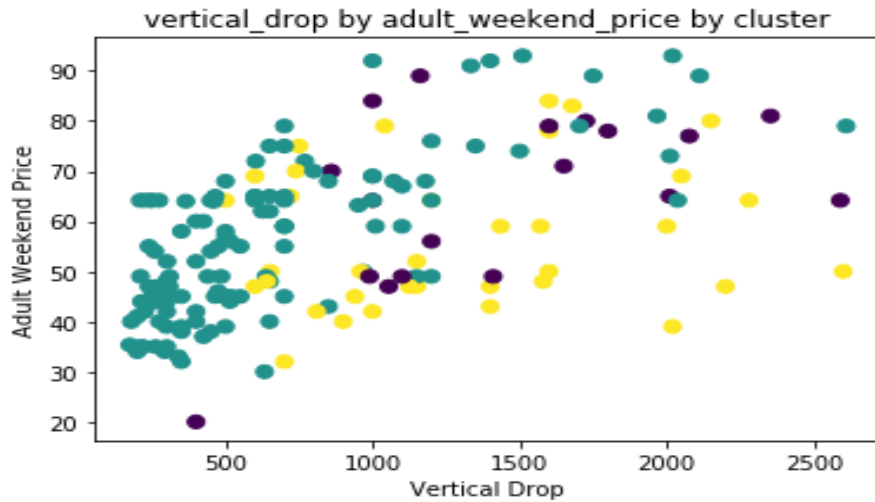


Figure 2: Vertical drop by adult weekend price.

Using linear regression, the predicted adult weekend price is \$81. Using the table below as reference, if 4 extra days are added to projected number of days the resort is opened, then a unit change to the price of adult's weekday ticket price will increase adult's weekend ticket price by \$19.48. There are 36 days that fall in weekend out of the 127 days the resort will be opened.

Hence, due to the weekend ticket price bump recommended above, the resort will generate extra \$1,710,421.92 for the 36 days of the weekend. For the \$1 increase in price of adult's weekday ticket, the resort will generate extra \$221,949.00. The revenue generated through increases in ticket prices and projected number of days the resort is opened will be able to clear the increased operating cost. Also, an extra \$392,370.92 will be available to take care of any additional running cost incurred due to the increased number of days the resort will be opened.

Variable	Coefficient
Adult weekday ticket price	10.2
Projected days opened.	2.32

Table 1: Model Result for Selected Variables and Coefficients

Given that above recommendations are accepted, the Big Mountain Resort will generate \$26,232,127.92 in revenue during the upcoming season.