Hope Frost 2/24/2021

Guided Capstone   
Project Report

Big Mountain Pricing Strategy

Big Mountain Resort’s facilities are well above the competition as far as all of the key features that affect ticket price value. Our analysis shows that the features that correlate with higher ticket prices are the vertical drops, snow making AC, number of chairs, fast quad, number of runs, and skiable terrain. Big Mountain resort comes in the range of well above average to at the top with exceptions of some outlines on all of these categories.(Figures 3-9) However Big mountain’s ticket price comes in just above the average for US ski resorts.(Figure 1) The state of Montana had a limited scope for ticket price putting Big Mountain at the top of the price bracket.(Figure 2)

Our model indicates that Big Mountains ticket value should come in at $95.87 with our expected error of up to $10.39. The actual price currently is at $81 indicating that Big Mountain is under priced when assessed by its current features. We can consider the ramifications of simply raising to price by $14 to bring it close to our industry average projection. It may be hard for visitors to accept a higher price justification out of the blue but if volume stays steady it could bring in a posible $24,500,000. It would be advised that this large increase would make their ticket price an extreme outlier for the state of Montana. With this in mind here are our assessments of the four plans Big Mountain is considering.

The first scenario is to Close up to 10 runs to reduce operational cost. Modeling this option, we find that the first three runs that are closed cause a steep decline in expected ticket price and revenue.(Figure10) The next two Runs closed have low impact on the expected ticket price. Concluding that closing five runs would be the optimal number with regard to ticket price value. After five runs there is a dramatic decrease in projected ticket price value of the resort. Should Big Mountain choose to pursue this route they may consider closing two runs at a time so as to not alarm visitors with large changes and justify keeping the price the same. This may reduce operation cost if it means reducing chairs but optimally increasing income is our goal.

The next scenario is that Big Mountain could increase the vertical drop by 150 feet and install an additional chair lift, doing so would also add a Run. Our models show this option would increase projected ticket price by $8.61. Expected projection of this increase over the season with the number of tickets is an additional $15,065,471. Keep in mind adding another chair lift may increase operations cost possibly by another $1,540,000. Since these updates increase Big mountan’s expected output by $23.48 from current price, it could be a catalyst for advertising as they increase the ticket price. This may keep volume of visitors stedy and justify the budget for construction and increased operations cost.

Big Mountain resort also offered the same vertical drop increase and chairlift also adding 2 acres of snow making to cover the new run from the new chair lift. Our model found that this would support the increase in ticket price by $9.90. Over the season this could bring in an additional $17,322,717. While the additional $1.29 per ticket is an interesting opinion it may not be immediately justifiable with the additional cost of snowmaking AC units. We also considered the option for Big Mountain Resort to increase the longest run by 0.2 miles and add 4 acres of snow making capacity to cover the new section. Since miles of longest run is not a highest indicator of price range for tickets, this additional run length would make no difference to the expected ticket price.

Our studies could be further with volume data for other resorts especially for Montana specifically. The price of tickets in Montana is an indicator that Big Mountain should proceed with caution as they implement their new ticket pricing strategy. We also need to consider the cost of construction and the additional operations cost adding another new chair lift and especially for considering adding 4 new snow making AC units. Given data on current operations cost and pricing for new equipment cost evaluations could be developed further to determine increased revenues.

Our recommendation is to implement scenario two. While opening the new features would be a good time to raise the ticket price. If Big Mountain set its price to $98 and volume stays steady income from tickets would increase by 29,750,000. The increased income from ticket sales would cover the increase in operations cost from last season as well as the expected addition of the new chair. While this price widens the gap between Big mountains ticket price and other resorts in Montana it places it within the $10.39 error window of our model compared to the rest of the US Ski resorts. This first step would give time to assess whether increasing the cost of adding the Snow Making AC units in another year or two would be worth considering. This could spread the cost and be another step in raising the ticket price even close to expected value.

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| Figure 1 | Figure 2 |
| Figure 3 | Figure 4 |
| Figure 5 | Figure 6 |
| Figure 7 | Figure 8 |
| Figure 9 |  |

