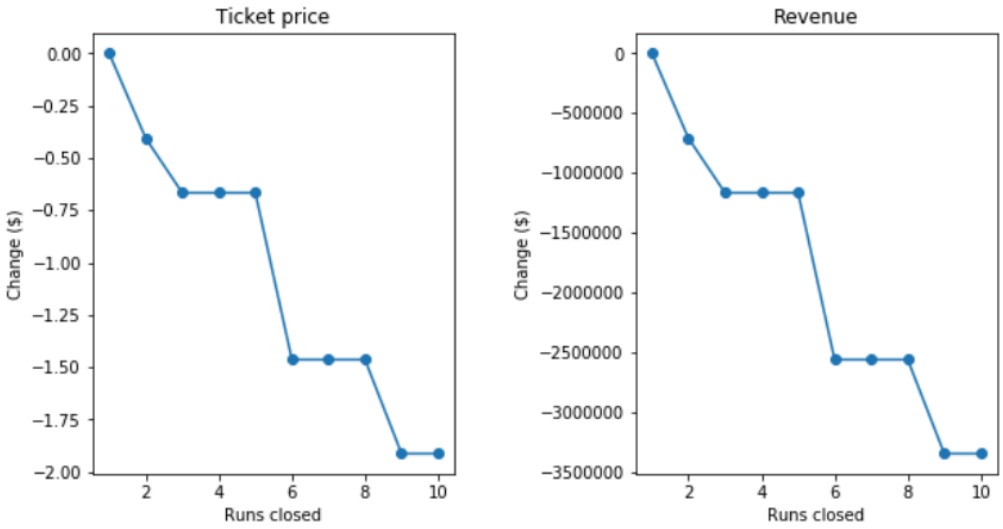
Big Mountain Ski Resort recently installed a chair lift to improve visitor distribution across the resort, resulting in additional operating costs of about $1.5 million. To cover the additional operating costs, they reviewed their pricing strategy to determine if charging a premium over the average price would be possible. The problem was deciding to increase ticket prices or reduce features to make up for the additional costs.

The resort proposed four scenarios to validate ticket prices

1. Permanently close 10 of the least popular runs while maintaining the current prices.
2. Increase ticket prices to cover the additional operating costs.
3. Increase ticket prices and add features, such as:
    a. Increasing the vertical drop by adding a run 150 feet below the current longest trail and installing another chair lift.
    b. Increasing the vertical drop and adding 2 acres of snowmaking.
4. Extending the longest run by 0.2 miles to 3.5 miles, requiring 4 additional acres of snowmaking.

The analysis of closing the least-used runs compared to changing ticket prices shows that up to 5 runs could be closed without significantly changing ticket prices, resulting in a $500,000 revenue drop. Closing more runs would significantly reduce ticket prices and nearly triple the revenue loss.




For scenarios involving price increases and feature additions, the analyses showed:

- Increasing the vertical drop by 150 feet could justify an $8.67 ticket price increase, raising revenue to around $15 million.
- Adding snowmaking to this increased vertical drop could support a $10.59 ticket price increase, generating an additional $3.5 million in revenue, totaling $18.5 million.
- Extending the longest run by 0.2 miles with 4 acres of snowmaking did not justify a ticket price increase.

Given these results, increasing the vertical drop by 150 feet appears to be the best option, as it generates significant additional revenue compared to closing runs or extending the longest run. Adding snowmaking to the increased vertical drop could further boost revenue by $3.5 million, but the additional costs for snowmaking need to be considered. Further analysis should include the cost of snowmaking, the impact of an $8.67 or  $10.59 price increase, and the ability to manage increased visitor traffic in the expanded snow area.