

Big Mountain Ski Resort

Final Analysis

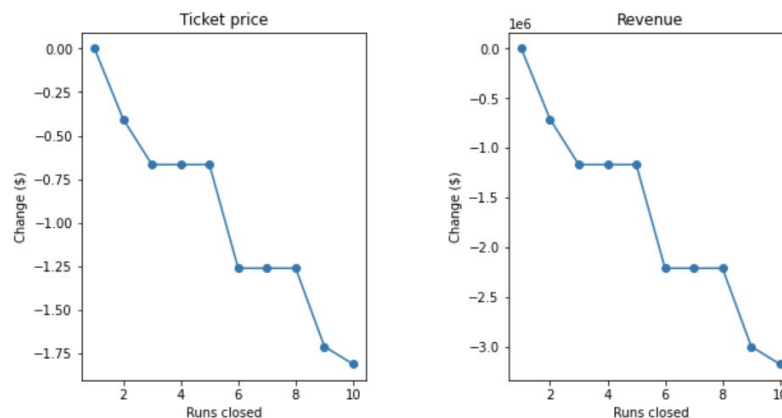
Big Mountain Ski Resort's current pricing strategy has been to charge a premium over the national resort average. Feeling that they aren't capitalizing on their facilities as much as they could, our task was to deliver a pricing strategy that maximizes revenue by taking into account the most popular and most profitable facilities that Big Mountain Ski Resort offers.

Currently, Big Mountain Resort charges \$81.00 for patrons of their facilities. We can assume that, at this price, they are able to at least operate at a breakeven (since their costs are unknown). Given our model, which predicts ticket price based on how much people value certain amenities/facilities, we predict that Big Mountain could raise their price to ~ \$95.00 and remain competitive. The model does have an absolute error of roughly \$11, which if factored in, still should allow BMR to raise their admission price a bit.

With the aforementioned price and absolute error of our model in mind, the next logical step would be to discuss various scenarios with BMR's leadership to fine-tune the pricing structure. Are there any 'easy wins' they could make facility wise to boost ticket pricing? Do the costs of adding a given feature outweigh the potential benefit? To answer these questions, we assume that the average patron purchases 5-day tickets and that the resort expects around 350,000 visitors a season.

Four scenarios were tested that were shortlisted by the management team at BMR. A brief description and conclusion for each is listed below:

1. Remove up to 10 of the least used chair lifts at the resort:



Our model showed that BMR could decrease up to 5 chair lifts with only a slight hit to ticket pricing. Savings in chair lift maintenance costs could offset any lost revenue.

2. Add a run, decrease vertical drop by 150 ft, and add a chair lift:

This scenario resulted in a potential increase of \$8.61 to the current ticket price and would generate up to \$15M in revenue for BMR.

3. Add a run, decrease vertical drop by 150 ft, add a chair lift and add an additional 2 acres of snow making

The additional revenue gained by adding the extra snow making acreage would likely not offset its potential associate costs.

4. Increase their longest run by 0.2 miles and increase snow making acreage by 4

This option showed no improvement to our model and would likely cost Big Mountain more money than any potential revenue gain.

Modeling the above four scenarios, we would suggest that Big Mountain Ski Resort consider the second option, and determine if the cost of adding a new chair lift would make sense, assuming a revenue gain of ~\$15M. Additionally, it would likely be beneficial to consider closing 1 or 2 of the least used chair lifts to offset any new costs incurred by the new lift. To test run closures, we'd suggest first seeing if there is a clear 'winner' in terms of the least used run to start. From there, have resort attendants keep count of the number of riders on the other lifts for 2 weeks. Determine if there is another clear 1 or 2 underutilized runs and proceed -- ensuring no more than 5 runs are closed in a season.