

# Big Mountain Resort Ticket Price Study

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# Operational Overview:

- Big Mountain is a Top Resort for the State of Montana
- The Resort Boasts a Large Number of Attractive Features to Entice Guests Including:
  - 105 Different Trails
  - 14 Different Lifts to Provide Easy Access to the Various Trails
  - The Most Snow Making of any Montana Based Ski Park
  - The Longest Run of Any Trail in the State, Hellfire, at a Length of 3.3 Miles
- The Resort Expects to get 350,000 People per Year
- A Yearly Revenue at Current Prices of Around \$141.75 Million Assuming 5 Days on Average Spent at the Park

# Operational Problems:

- New Features are Needed to Drive Continued Interest for Resort
- To Drive this Interest, an Additional Chair Lift was Added in the Past Year
- The Costs Associated with the New Lift will Increase the Projected Operational Costs by \$1.54 Million per Year
- The Current Model for Pricing Cannot Afford this Large Change in Cost
- Thus a New Model is Required to Account for These Problems and Support Future Growth of the Resort

# Modeled Recommendation and Key Findings:

To Solve these Problems and Make a More Secure Future for the Resort the Recommended Approach is as Follows:

- Immediately Raise the Ticket Price by at Least \$4.50 to Match what Other Similar Resorts Would Charge
- Close Down the Least Used Run in the Park
- Increase the Vertical Drop by Adding a Run to a Point 150 Feet Lower Down and Installing a New Chair Lift to Accommodate this Addition

The Key Findings Behind this Approach are:

- The Current Pricing Model Isn't Workable as it Fails to Recognize a Number of Important Factors
- Closing Down the Least Used Run Would Have Little Effect on the Perceived Value of the Ticket
- The Addition of a New Run Going Further Down the Mountain Would Greatly Increase the Value of a Ticket

# Analysis Part 1 – Price Increase:

- The Current Model for Pricing at Big Mountain Resort is Charging a Premium above the Average Price of Others in the Same Market Segment
- This Strategy Fails to Recognize the Amenities that Attract Customers and Assumes that the State the Resort is in has a Large Impact on the Perceived Value of the Ticket
- After Coming to the Conclusion that State had Little to do with Ticket Pricing (Slide 6 Figure 1), the Price was then Tested With a Couple of Different Models
- The Model that Lead to the Most Certainty in it's Findings found that Price can be Better Described by a Handful of Features Including:
  - The Total Number of Fast-Quad Chair Lifts
  - The Total Number of Runs
  - The Amount of Snow Making Done
  - The Total Vertical Drop in the Park
- Further Information on Feature Importance can be Viewed in Slide 6 Figure 2
- The Price, as Viewed by the Model Should be \$95.87, but Accounting for a Error of \$10.39, the Price Could Still be Increased by Around 4.50 Without any Worry about Major Drops in Resort Attendance

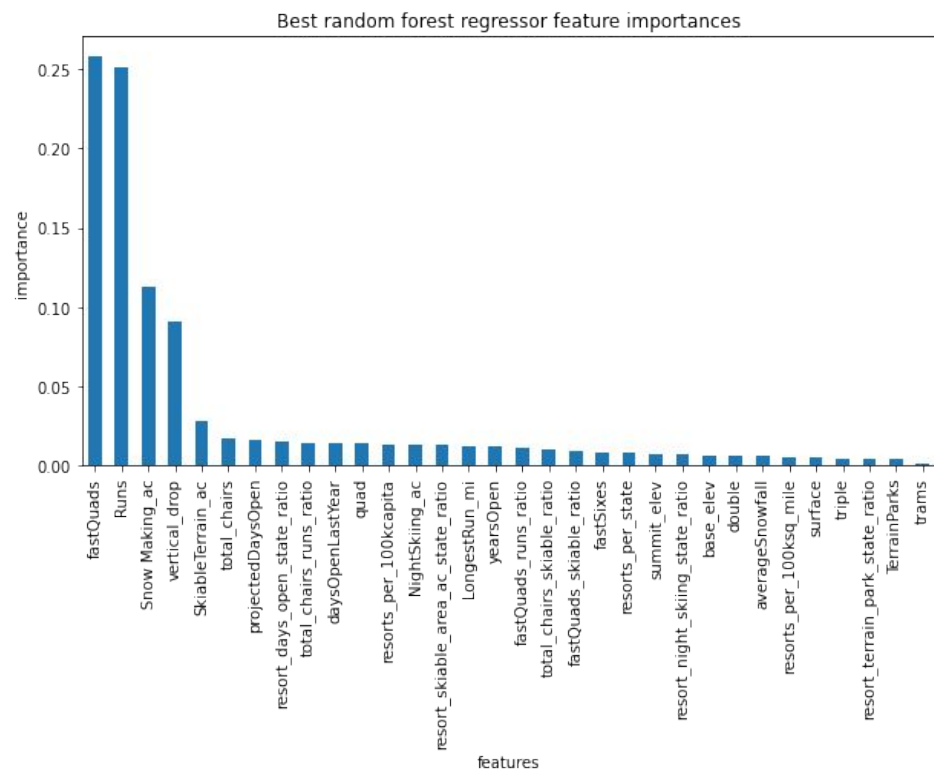
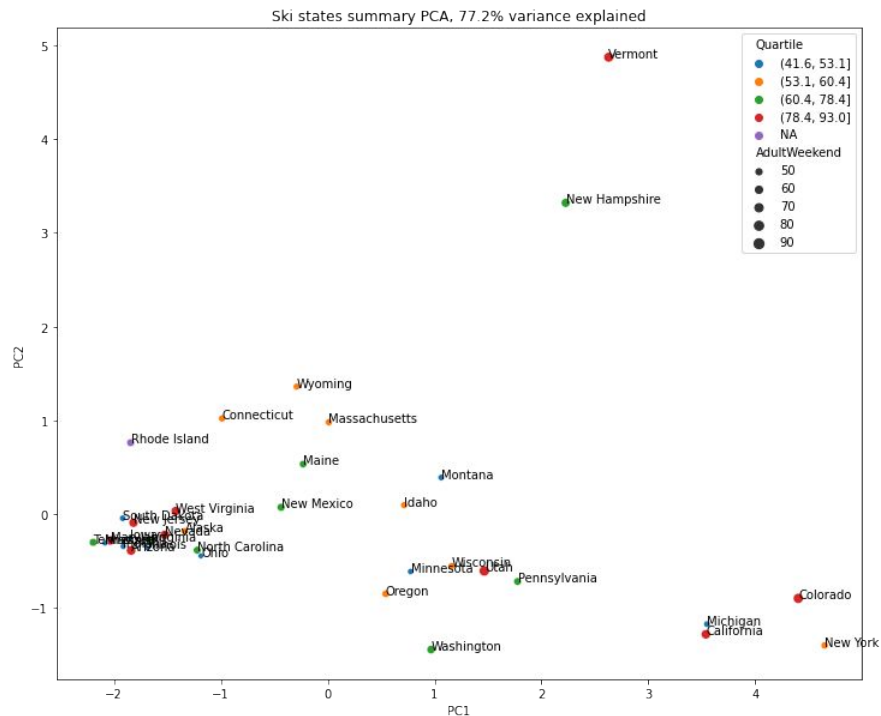


Figure 1 - Left - Shows Lack of Congruity Between State Average Price  
Figure 2 - Right - Feature Ranking of Importance Based on Model Used

# Analysis Part 2 – Park Modification

- When Given the Task of Raising Profits for the Resort, Various Ideas were Shortlisted as Means to Either Cut Costs or Support a Higher Ticket Price
- Two of the Ideas, Shutting Down the Least Used Runs and Opening a New Run with a New Chair Lift had Potential
- The Model Showed that Shutting Down the Least Used Run Wouldn't result in any decrease in the Perceived Value of a Ticket (Slide 8 Figure 3)
- Further, the Resort Could Implement the Additional Run at the Base and expect it to Justify an \$8.61 Increase to Ticket Prices
- This Increase Would Lead to an Approximate \$15.065 Million Dollar Increase in Expected Yearly Revenue, more than Justifying the Expense of a New Chair Lift

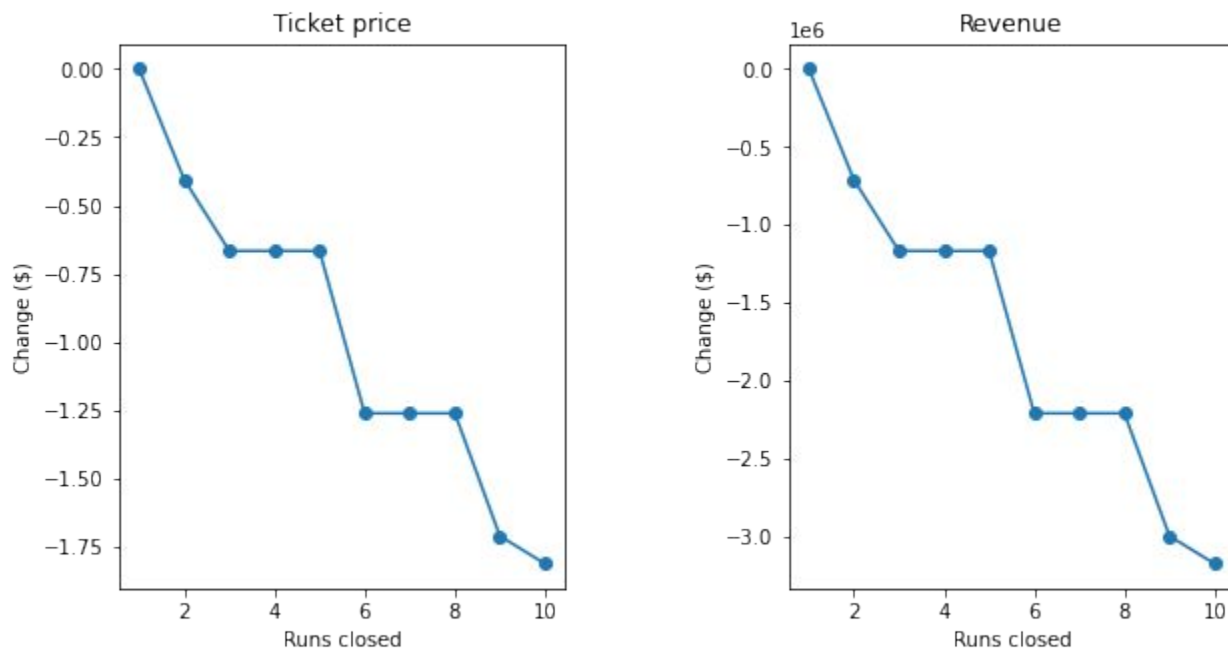


Figure 3 - Center - Shows the Expected Drop Off in Ticket Price Justification for Each Run Closed



# Summary

To Reiterate, the Proposed Changes to the Resort are:

- An Immediate Increase to the Ticket Price of \$4.50
- Shutting down the Least Used Run in the Park
- Opening up a New 150 Foot Segment with a new Chair Lift at the Base of the Resort

As it has Been Shown that these Changes Would be of Great Benefit to the Parks Yearly Profit and Make Up Easily for the Current Struggles that Big Mountain Resort is Currently Facing. Additionally, it Would Also Drive Future Returns Higher than what Could have Otherwise Been Expected While Still Maintaining Current Popularity for the Resort.

Thank You For Listening