Big Mountain Resort

Problem Statement

What opportunities exist for Big Mountain Resort to absorb the operation cost increase associated with the new chair lift installation ($1,540,000) during the upcoming season, while sustaining a profit margin of at least 9.2%?

Resort Background Context

Big Mountain Resort (BMR), a Montana-based ski resort hosting a seasonal average of 350,000 visitors, has recently installed a new chair lift to increase distribution of customers across the mountain, increasing operating costs by $1,540,000 this season.

BMR offers 3,000 acres of mixed-level terrain, 105 trails, along with vast bowl and tree skiing. BMR facilities have 11 lifts, 2 T-bars and 1 magic carpet.

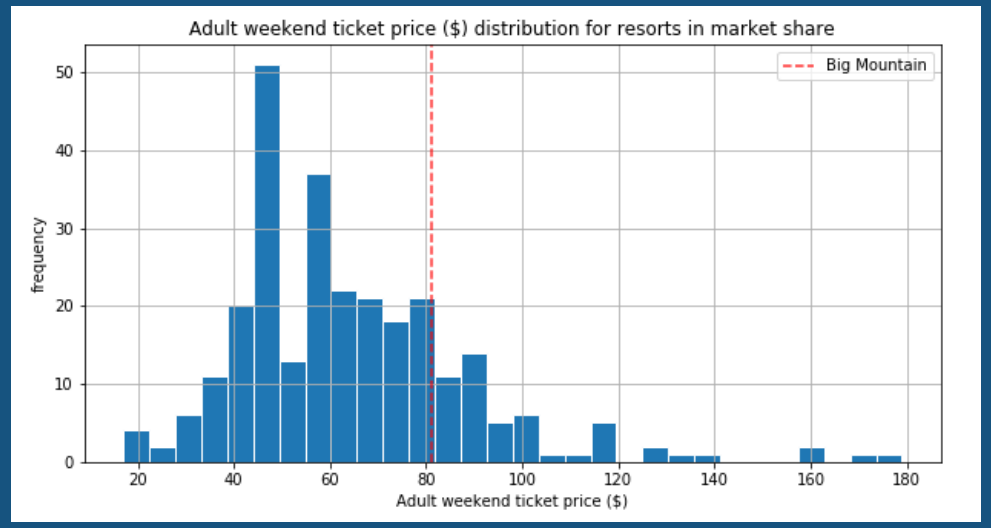
Current Resort's Pricing Strategy

Basing ticket price solely on the market average will not be sufficient for BMR to maximize their capital investment and will not promote a sustainable edge over competitor resorts.

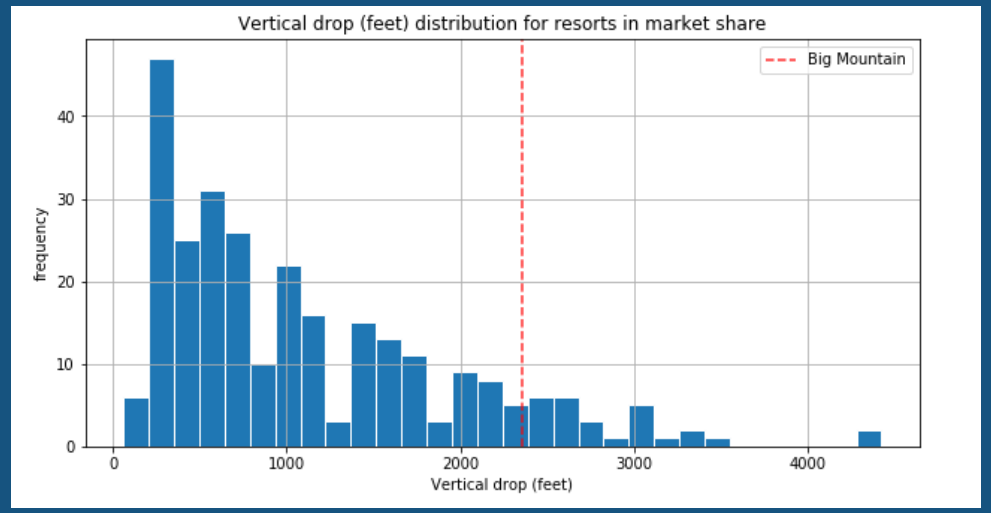
Recommendations

- **Our Model suggests that Mountain Resort's ticket price is lower than the predicted model by 16.31%, and the resort have many potential scenarios for either cutting costs by closing runs or increasing ticket price by increasing vertical drop, adding acres snow making or increasing the longest run.**
- **Increasing the vertical drop by 150 ft would increase the ticket price by 10.44% from $81 to $89.46, resulting in revenue increase by $14,811,594.**
- **Adding 2 acres of snow making would increase the ticket price by 12% from $81 to $90.75, resulting in revenue increase by $17,068,841.**

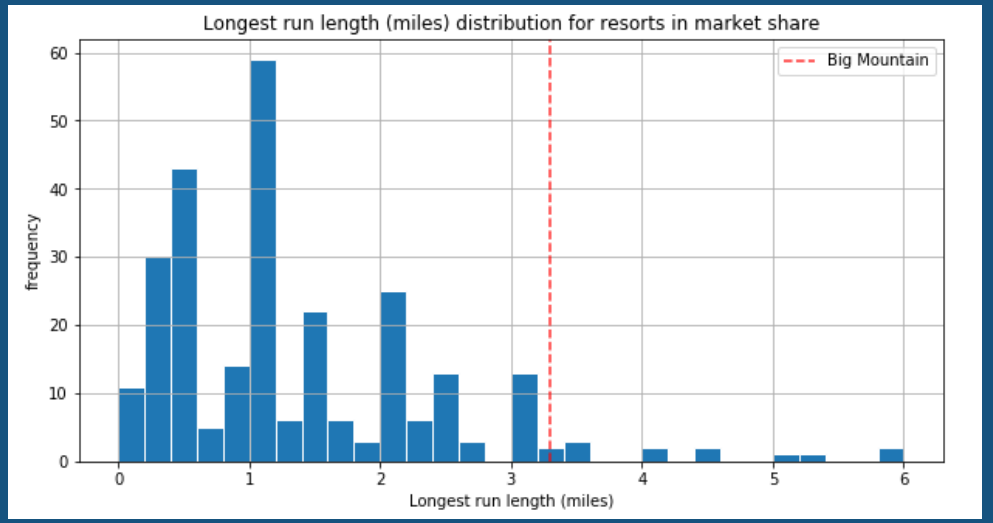
Big Mountain's Ticket Price compared to other Resorts Ticket Price.



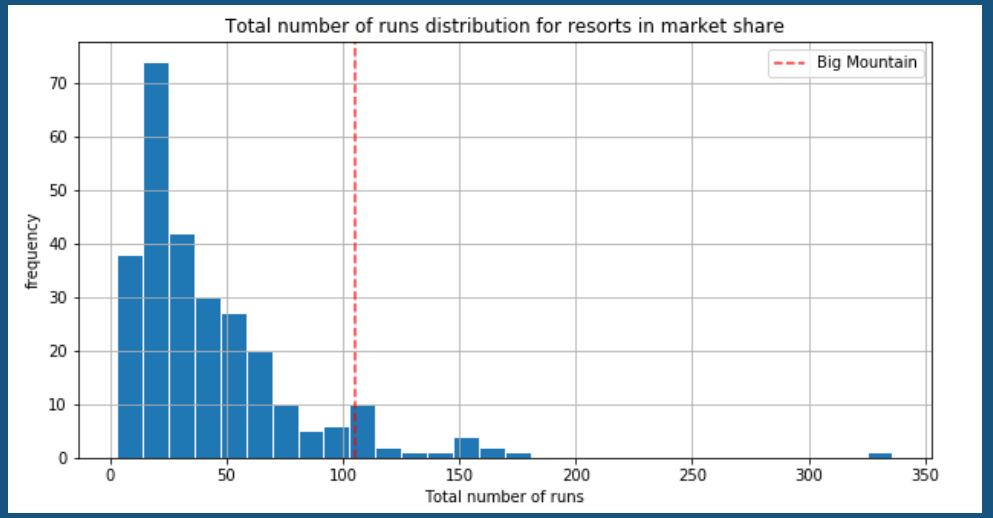
Big Mountain is doing well for vertical drop but there are still quite a few resorts with a greater drops.



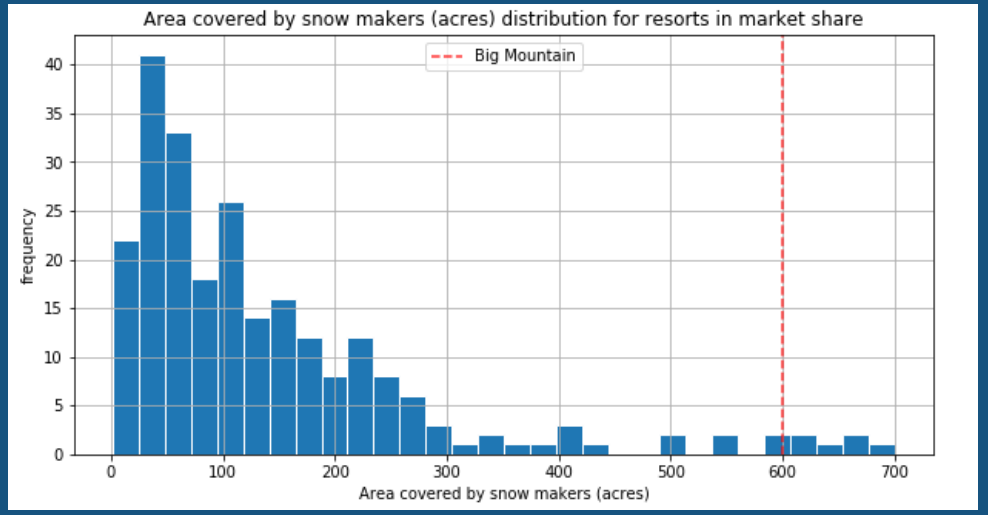
Big Mountain has one of the longest runs. Although it is just over half the length of the longest, the longer ones are rare.



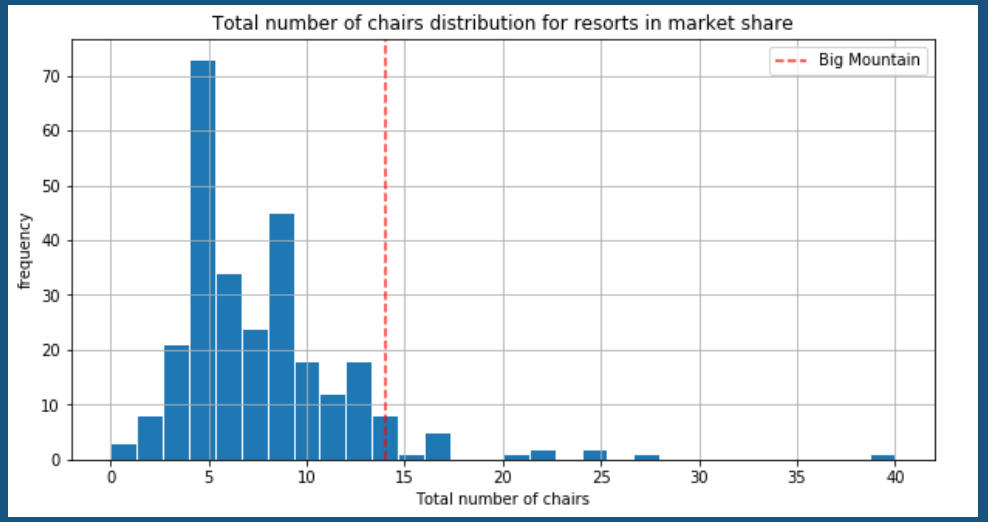
Big Mountain compares well for the number of runs. There are some resorts with more, but not many.



Big Mountain is very high up the league table of snow making area.



Big Mountain has amongst the highest number of total chairs, resorts with more appear to be outliers.



Main Data Source Limitation

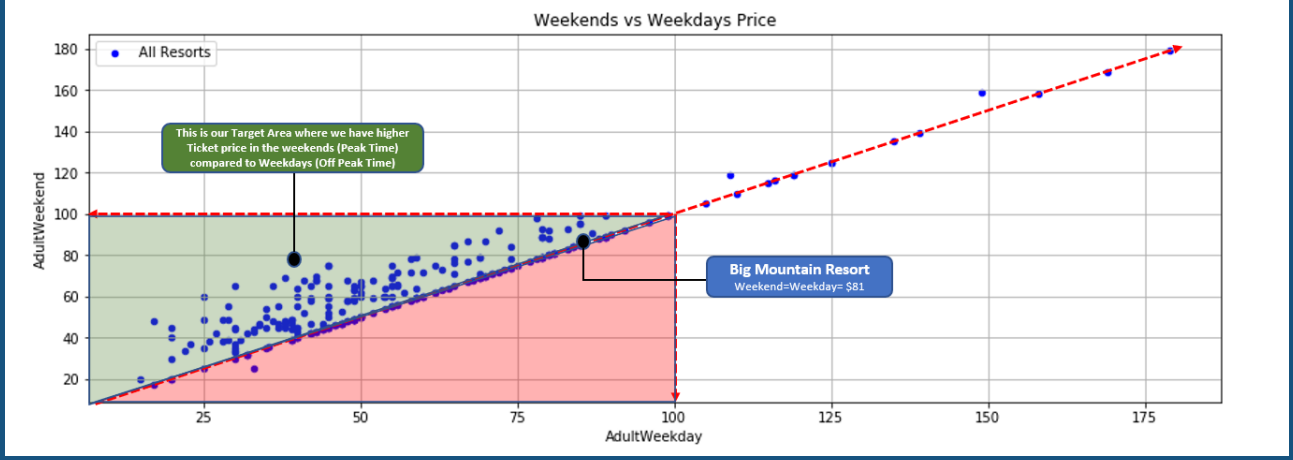
Our main data source is missing some important information like:

- Weekdays ticket price (Missing Information) and
- Operating costs for most of the resorts features (e.g., Runs operating cost is missing).

So in order for our model to provide a better price prediction it would be beneficial if we can get another source of data

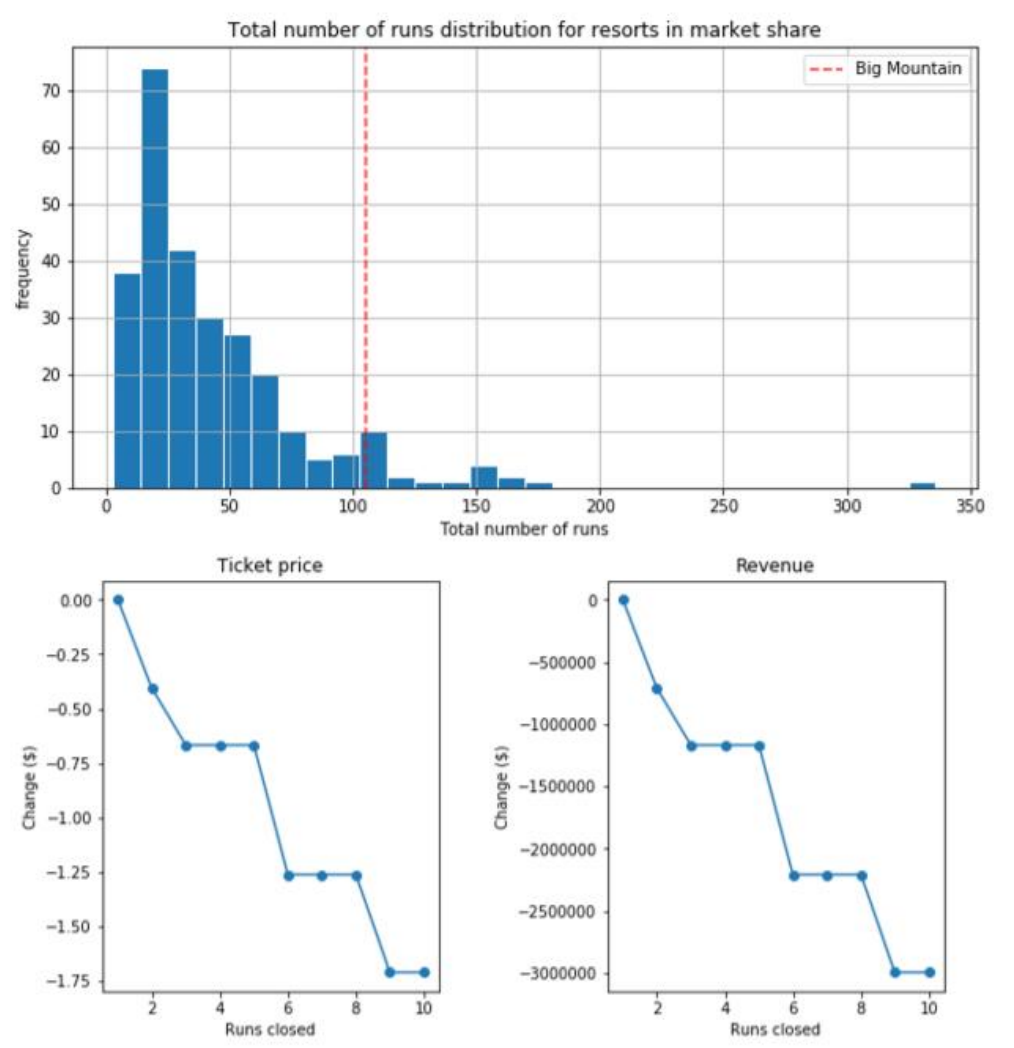
Dynamic Pricing: Weekdays vs Weekends Ticket Price

One of the pricing Strategy we could recommend to Big Mountain Resort is to develop and implement a DYNAMIC pricing; by having a higher ticket prices during the weekends where they have higher number of visitors and a lower ticket prices during the weekdays where they have a lower number of visitors (To attract more visitors).



As shown to the left, most of the US Resorts already implemented a Dynamic Pricing Strategy

Closing up to 10 Runs vs (Ticket price & Revenue)



Big Mountain Resort has been reviewing a potential scenario for cutting costs by Permanently closing down up to 10 of the least used runs.

Our Model predicted the following when it comes to closing up to 10 used Runs:

- Closing one run will have no impact on Ticket price or revenue.
- Closing 2 runs reduce support for ticket price and so revenue by $0.4 and $750,000 respectively.
- Closing down 3 runs, it seems they may as well close down 4 or 5 as there's same loss in ticket price and revenue by $0.67 and $1.25M respectively.
- Closing 10 runs reduce support for ticket price and so revenue by $1.71M and $3M respectively.
- Because we don't know the operating cost per used run, we can't determine how much cost saving will be offset the loss in revenue after closing more than one run.

Conclusion

After applying our Model for ski resort ticket price and leverage it to explore Big Mountain Resort's potential scenarios for increasing revenue, we can conclude that:

- **The best scenario where we managed to gain the highest revenue increase possible was by increasing the vertical drop by 150 ft, adding one Chair Lift, adding one run and adding 2 acres of snow making cover. This scenario has increased ticket price by 12% from $81 to $90.75, resulting in a bottom-line increase by $15,528,841 (After deducting operating costs = $1.54M).**

- **Due to lack of data in regards of operating cost per used run and weekdays ticket price, our model cannot recommend closing down used runs or implementing a dynamic ticket pricing.**