# BIG MOUNTAIN RESORT

TICKET PRICING MODEL

## PROBLEM STATEMENT

WHAT OPPORTUNITIES EXIST FOR BIG MOUNTAIN RESORT TO MAINTAIN OR INCREASE THE CURRENT PROFIT MARGIN TO OFFSET THE NEWLY INCURRED OPERATIONAL COSTS OF $1.54M BY ADJUSTMENT OF TICKET PRICES, OR REDUCTION OF OPERATIONAL COSTS, OR COMBINATION OF BOTH WITHIN THE YEAR?

## BACKGROUND

- THE RESORT'S CURRENT PRICING STRATEGY OF USING THE AVERAGE PRICE OF RESORTS IN ITS MARKET SEGMENT DOES NOT PROVIDE THE BUSINESS WITH A GOOD SENSE OF HOW IMPORTANT SOME FACILITIES ARE COMPARED TO OTHERS.

- A PREDICTIVE MODEL FOR TICKET PRICE BASED ON A NUMBER OF FACILITIES, OR PROPERTIES, BOASTED BY RESORTS (AT THE RESORTS) WAS CREATED.

- THIS MODEL WILL BE USED TO PROVIDE GUIDANCE FOR BIG MOUNTAIN'S PRICING AND FUTURE FACILITY INVESTMENT PLANS

# KEY FINDINGS

Analysis showed that modifying and adding features can support an increase in the ticket price and create additional revenue.

Closing runs will affect ticket price and revenue.

Increasing the vertical drop by 150 feet and adding an additional chair lift will increase support for ticket price by $1.99.

Over the season, this could be expected to amount to a revenue increase of $3.47M

.

Closing up to 5 runs will only reduce ticket price and revenue marginally.

Closing 6 or more runs will see a large drop in ticket price and revenue

# Recommendations

Closing runs can result in a reduction in operating costs, it is recommended that Big Mountain Resort explore closing from 1 to 5 of the least popular runs.

Big Mountain Resort should explore raising ticket prices based on the facilities offered compared to the market. The model has shown that even a $1.99 increase in ticket price has the potential to cover the recently acquired operational costs of $1,54M for the newly installed lift.
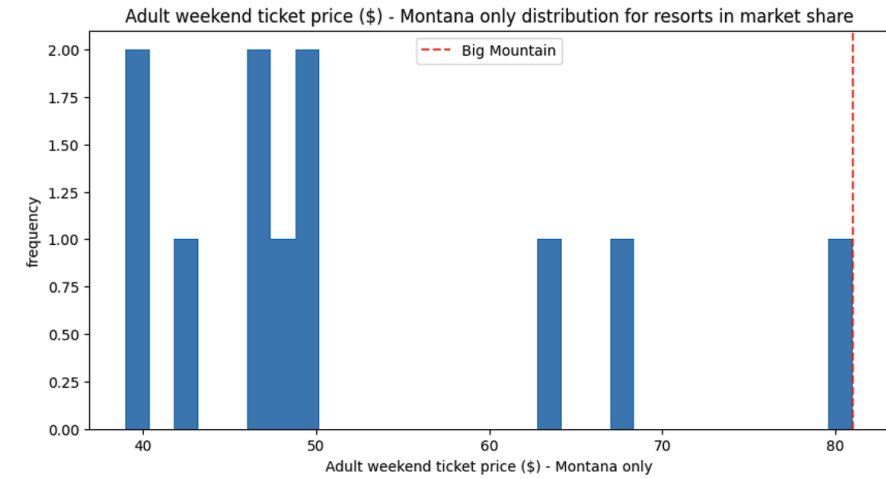
# MODELING RESULTS AND ANALYSIS

## ADULT WEEKEND PRICE: WHOLE MARKET VS. MONTANA ONLY



Adult weekend ticket price ($) distribution for resorts in market share
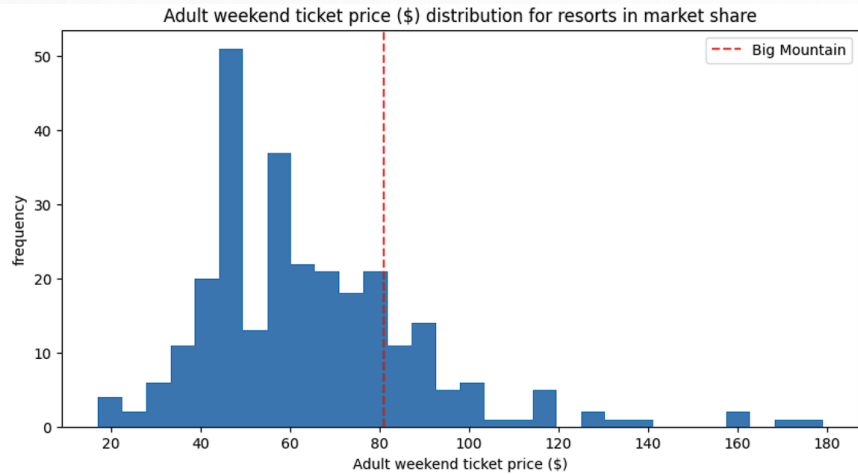
Adult Weekend Ticket price

Adult weekend ticket price ($) - Montana only distribution for resorts in market share

Adult Weekend Price Montana Only

## DISTRIBUTIONS OF TOP 5 FEATURES FOR RESORT IN MARKET SHARE



Vertical drop (feet) distribution for resorts in market share
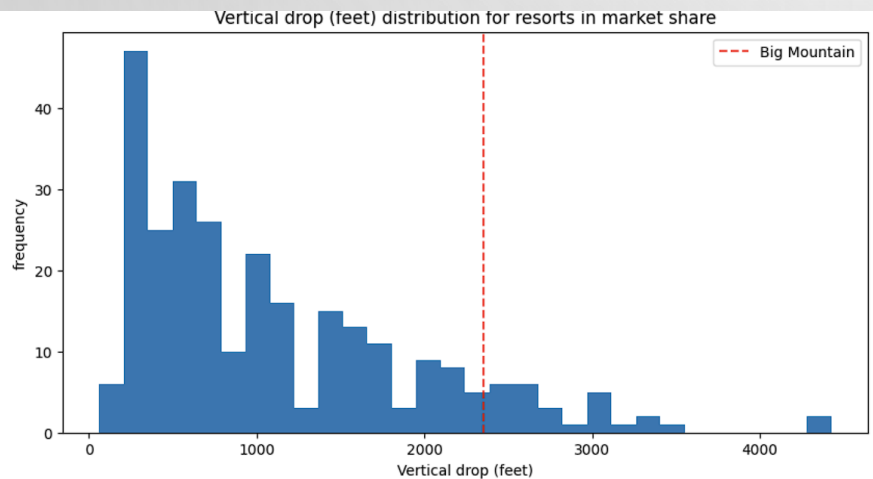
Vertical Drop

Snow Making Area

Area covered by snow makers (acres) distribution for resorts in market share
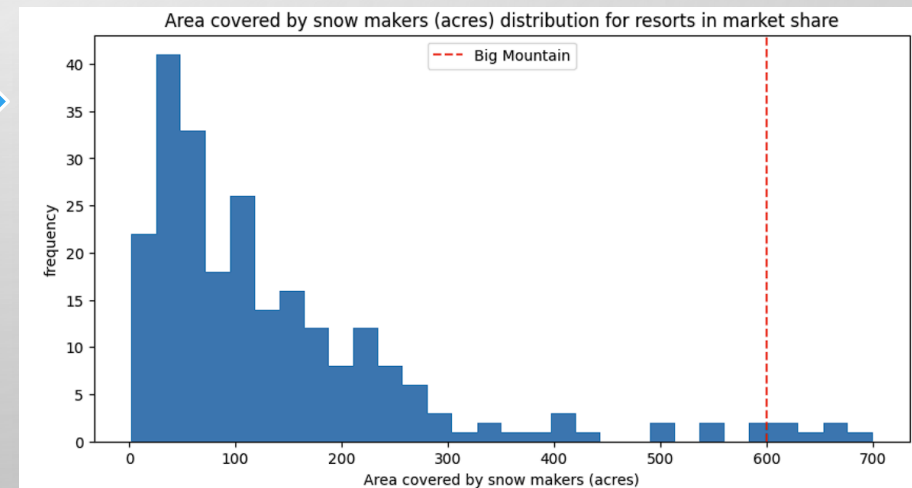
# MODELING RESULTS AND ANALYSIS
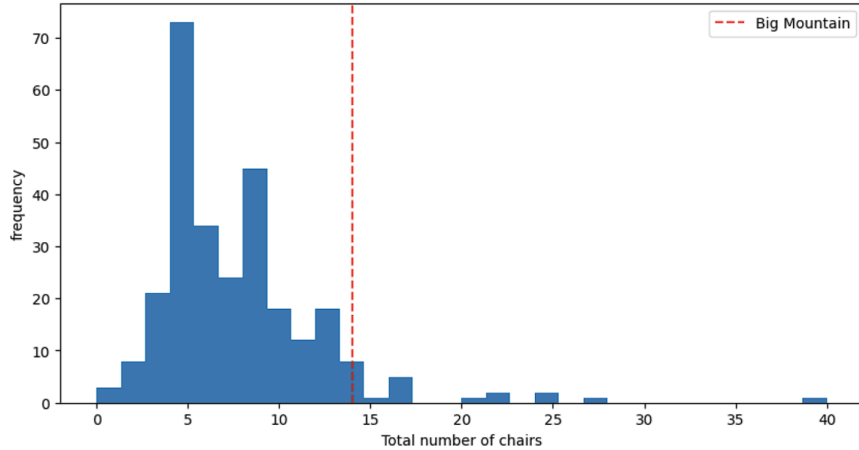


Total Number of Chairs



Total Number of Fast Quads
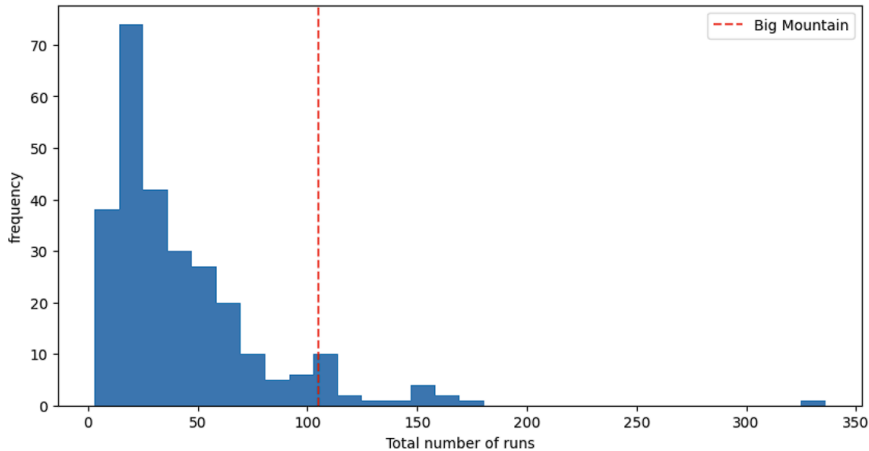


Total Number of Runs

## KEY NOTES:
- Reasonable correlations were found between resort features and ticket price.
- Big Mountain Resort was high on many of the features in the current market.
- Using these key features Blue Mountain Resort can explore future facility investments.
- Analysis was run on 4 different business scenarios.

# MODELING RESULTS AND ANALYSIS

## MODLED BUSINESS SCENARIOS

**1**

PERMANENTLY CLOSING UP TO 10 OF THE LEAST USED RUNS.

**2**

INCREASE VERTICAL DROP TO 150 FEET WITH THE INSTALLATION OF AN ADDITIONAL CHAIR LIFT, WITHOUT ADDITIONAL SNOW MAKING COVERAGE.

**3**

SAME AS NUMBER TWO BUT ADDING 2 ACRES OF SNOW MAKING COVER.

**4**

INCREASE THE LONGEST RUN BY 0.2 MILE TO BOAST 3.5 MILES LENGTH, REQUIRING AN ADDITIONAL SNOW MAKING COVERAGE OF 4 ACRE.

# MODELING RESULTS AND ANALYSIS

**RESULT**

**RECOMENDATION**

**SCENARIO 1**

It was shown that closing up to 5 runs will only reduce ticket price marginally. However, closing 6 or more runs will see a large drop in ticket price.
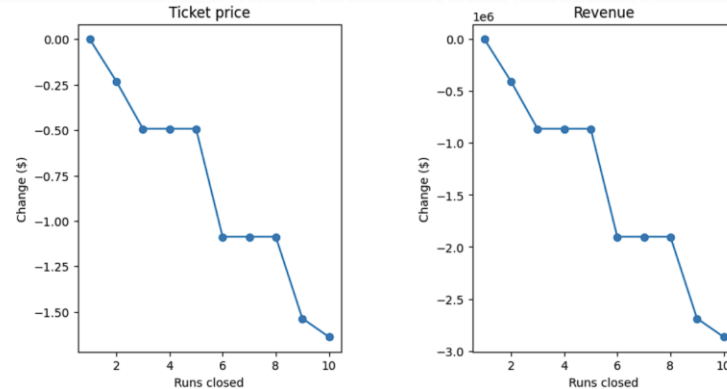
It is recommended that Big Mountain Resort explore closing from 1 to 5 of the least popular runs.



**SCENARIO 2**

This scenario increases support for ticket price by $1.99
Over the season, this could be expected to amount to $3.47M

It is recommended that Big Mountain Resort explore facility modifications such as increasing the vertical drop and adding another lift

**SCENARIO 3**

This scenario produced the same results as scenario 2.

Produced no additional increase in revenue from scenario 2 but would add to operational cost and other expenses. No further action recommended.

**SCENARIO 4**

This scenario showed no influence on ticket price.

Produced no additional increase in ticket price or revenue and would add to operational costs and other expenses. No further action recommended.

# SUMMARY AND CONCLUSION

## SUMMARY

Big Mountain Resort's current pricing strategy uses the average price of resorts in its market segment. Current ticket price is $81.00.

The modeled ticket price was $96.71. This is a 19.4% increase from current price.

The Mean Absolute Error was $10.33. This suggests room for an increase.

Reasonable correlations were found between resort features and influence on ticket price.

Big Mountain Resort was high on many of the features in the current market. Providing further support for ticket price increase.

Current predictive model should be improved with additional data

## CONCLUSION

After improving the model with the additional data, a cross-functional team of business experts should test different business assumptions similar to the 4 scenarios we modeled. This will provide the business with a good sense of how important some facilities are compared to others and provide guidance on future facility investment plans.

It's recommended that Big Mountain Resort explore raising ticket prices based on the facilities offered at Big Mountain compared to the market. The model has shown that even a $1.99 increase in ticket price has the potential to cover the recently acquired operational costs of $1.54M for the newly installed lift.