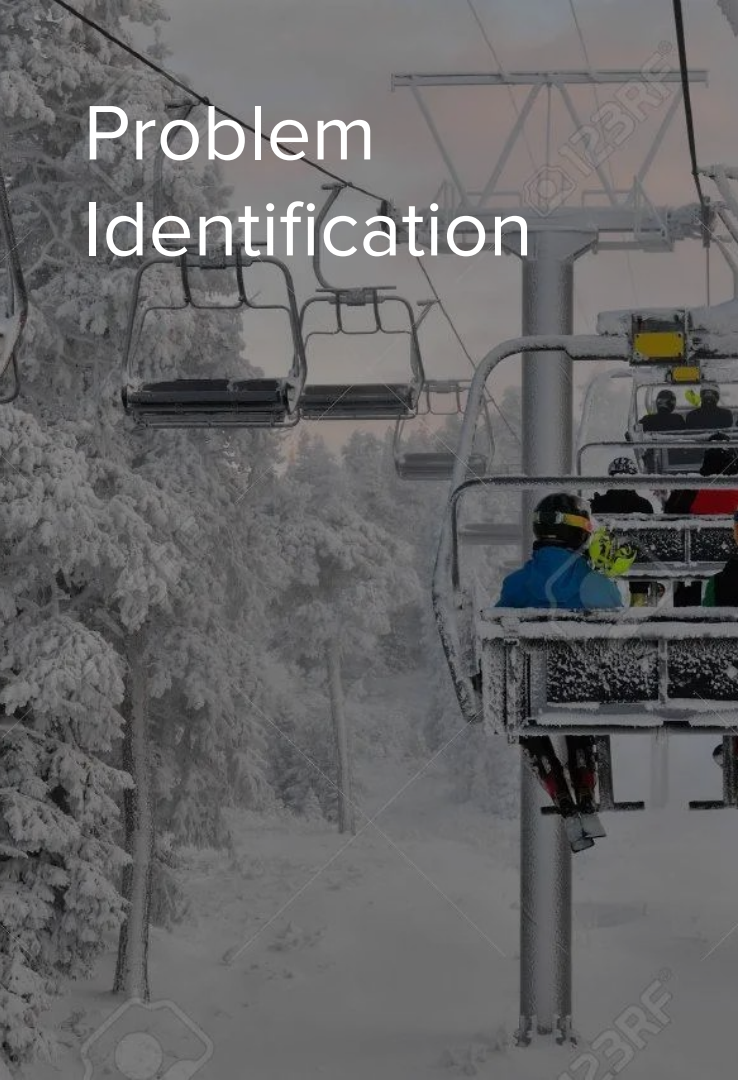
Big Mountain Resort

Guided Capstone Project - Presentation



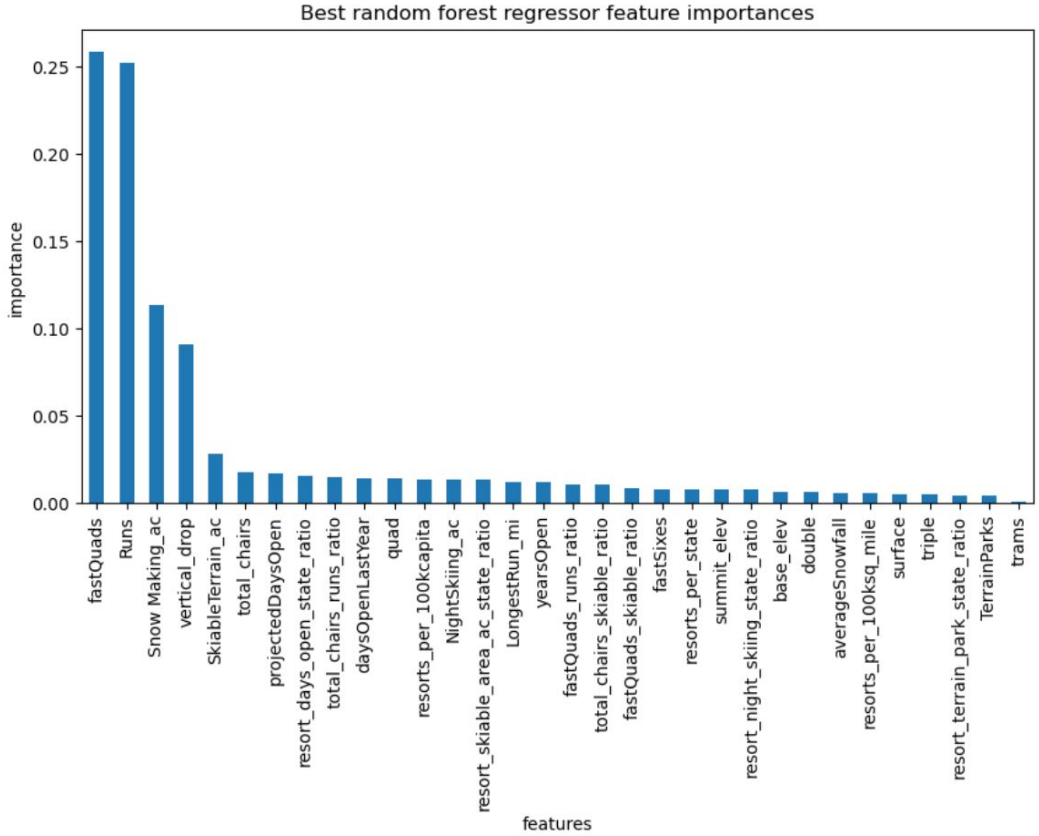
Problem Identification

Big Mountain has recently installed an additional chair lift to help increase the distribution of visitors across the mountain. This addition increases operating costs by $1,540,000.

Problem Statement: How can Big Mountain Resort Increase its profitability by applying a new pricing strategy and/or implementing changes that can either cut costs or support higher ticket pricing - to offset the recent $1,540,000 increase in operating costs?

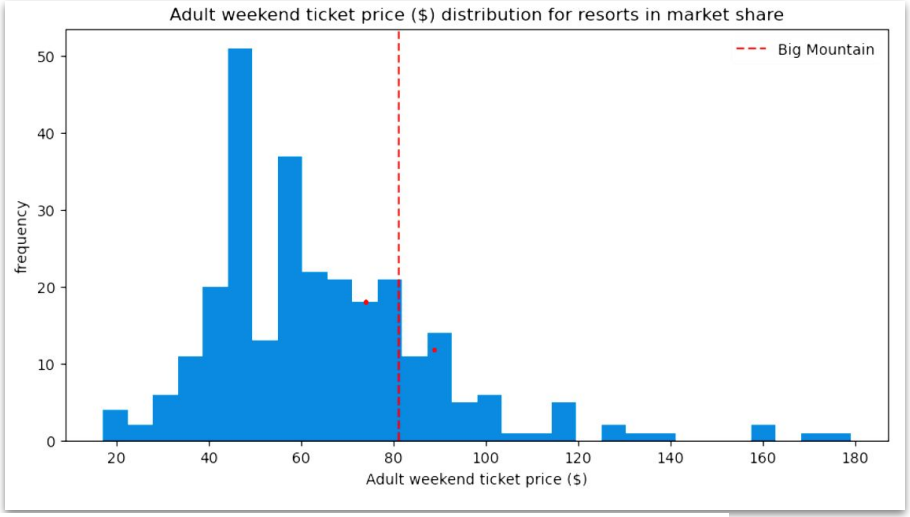
Key Findings

- There was no obvious pattern between states and ticket prices, which lead us to treat all states equally.
- Ticket price has a positive correlation with vertical drop, fast quads, runs, and total chairs.
- As shown in the figure, the features found to be most important are fast quads, runs, snow making, vertical drop, skiable terrain, and total chairs - which Big Mountain ranks high on the chart for these features.



Model and Analysis

- Big Mountain is currently charging $81.00 for its ticket price. Our Modeled ticket price is $95.87, an increase of $14.87 from the current price. Even with a mean absolute error of $10.39, there is still room for an increase in ticket price.

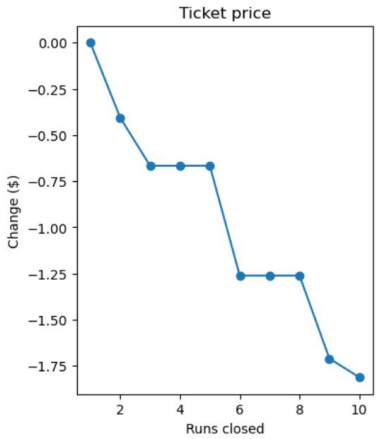


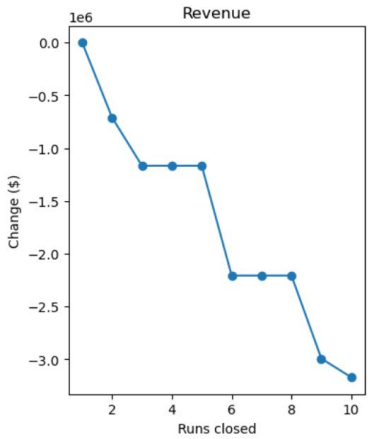
- Big Mountain is among the resorts with the largest snowmaking area, the highest number of total chairs and fast quads, the longest runs, and the largest amount of skiable terrain. The resort has no trams like most resorts. And it's doing well in vertical drop and number of runs amount other resorts, with some resorts having a greater drop and a higher number of runs. This are facilities that people willing to pay more, which makes it perfectly reasonable for Big Mountain to increase its ticket price to accurately value the facilities it offers.

Model Analysis

To cut costs and increase ticket prices, the we've come up with the following scenarios:

- Scenario 1: Closing down up to 10 of the least used runs. According to our model, closing 1 run makes no difference in ticket pieces but closing 2 or more runs will decrease ticket prices and revenue.
- Scenario 2: Adding a run, increasing vertical drop by 150 feet, and installing an additional chair lift. This will increase ticket price by $1.99 and revenue by $3,474,638.
- Scenario 3: Adding 2 acres of snow-making to the previous scenario. The result is the same as the previous scenario - makes no difference.
- Scenario 4: Increasing the longest run by 0.2 miles and adding 4 acres of snow-making capability. This too makes no difference to the ticket price.





Summary and Recommendation

Big Mountain can increase its current ticket price of $81.00 to the modeled price of $95.87. This is justified as the resort is currently ranked fairly high of facilities offered chard and people are willing to pay more for these facilities.

The resort can also add a run, increase vertical drop by 150 feet, and install an additional chair lift. This will increase ticket price by $1.99 and revenue by $3,474,638, which is more than twice the increase in operating cost the resort is facing for the addition an additional chair.