BIG MOUNTAIN RESORT BUSINESS AND PRICING STRATEGY

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Problem Definition

Big Mountain Resort experienced an increase in operational costs by $1,540,000 this season. However, BMR pricing and business strategy does not match its facilities and limits further investments.

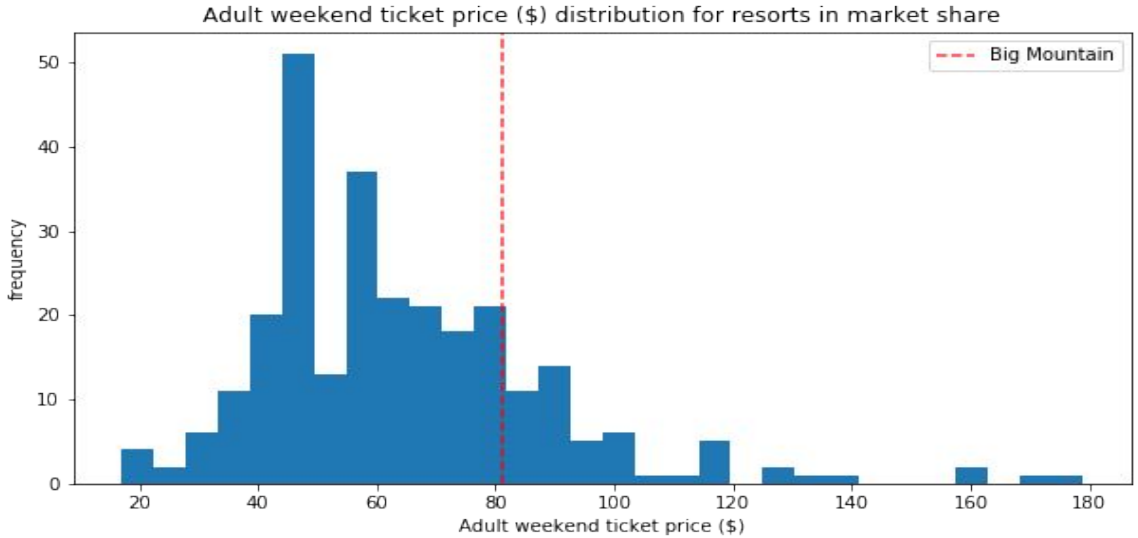
In response, the management has decided to take a data-driven approach to its pricing and business structure.

How do we obtain and implement pricing strategy that will boost revenue?

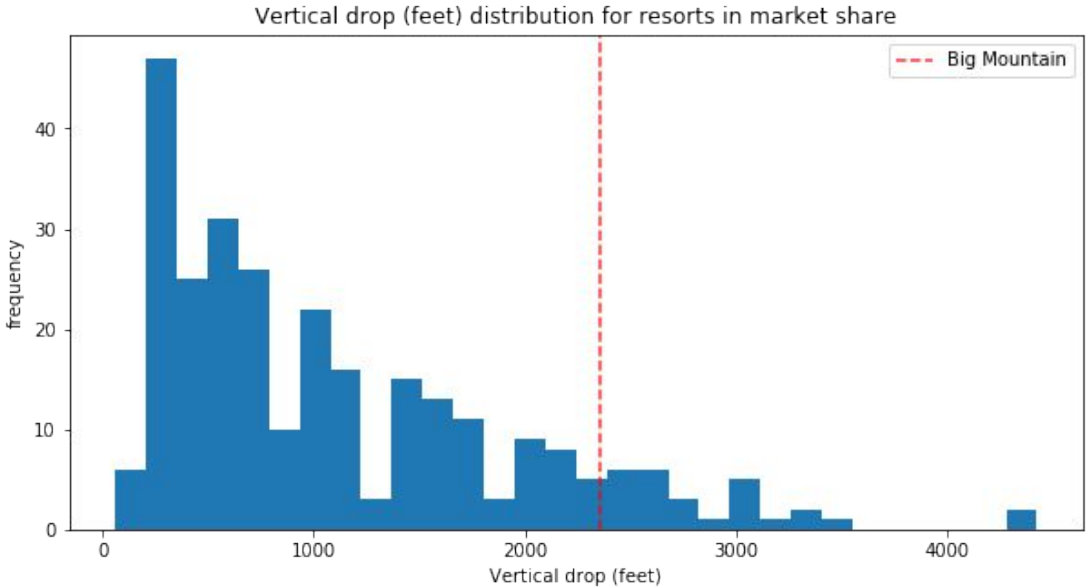
Which business model should be considered to encourage investments ?

Key findings

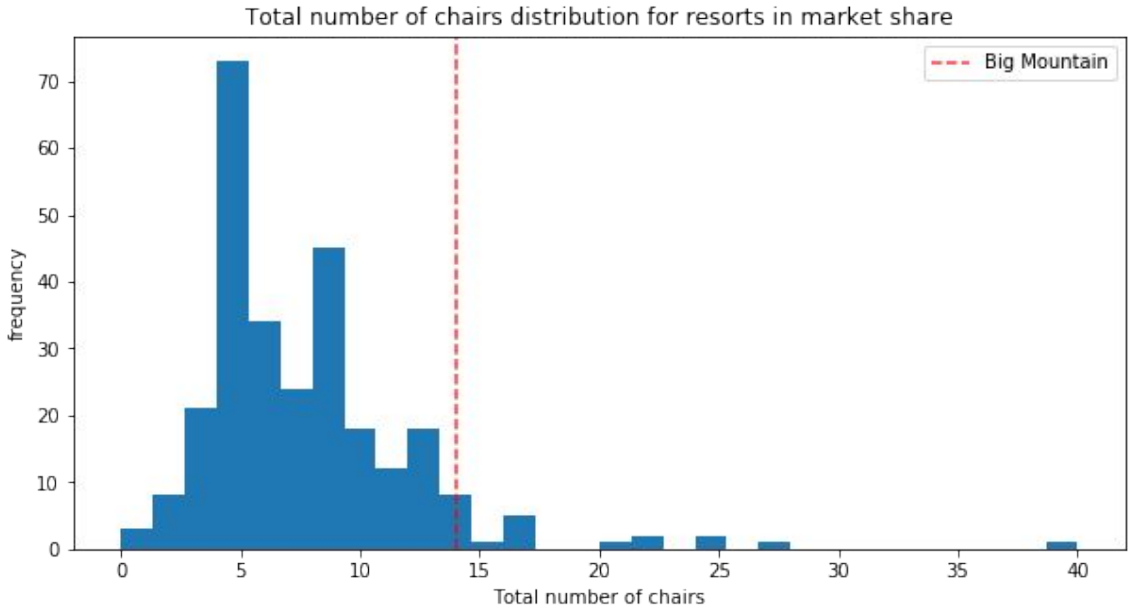
The current Big Mountain resort ‘s ticket price is $81 and the distribution relative to its competitors is given below:



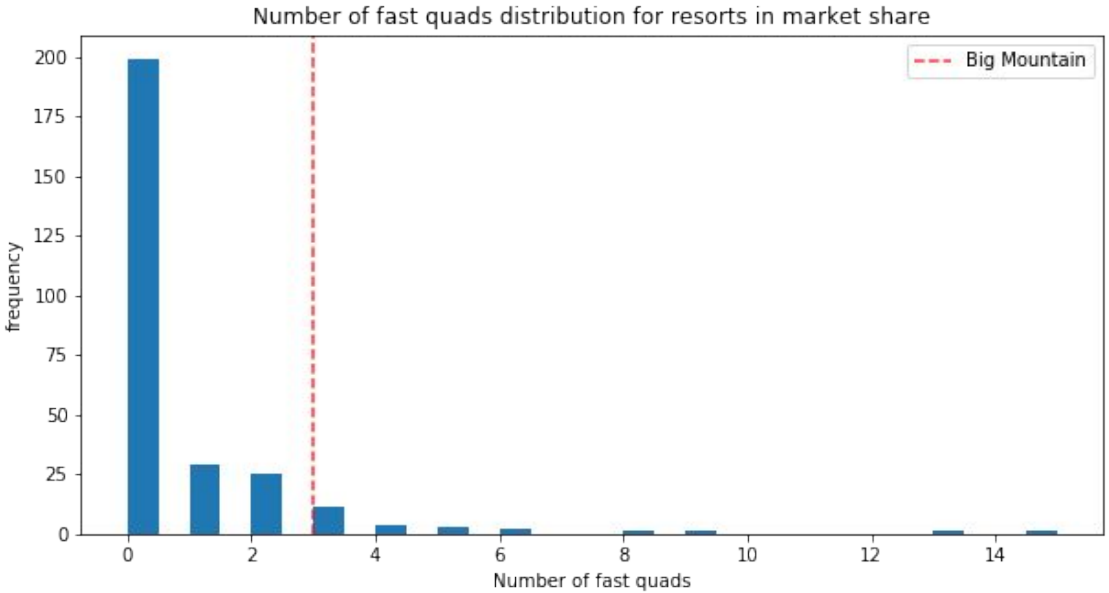
- Big Mountain ranks high in “vertical drops” among its competitors



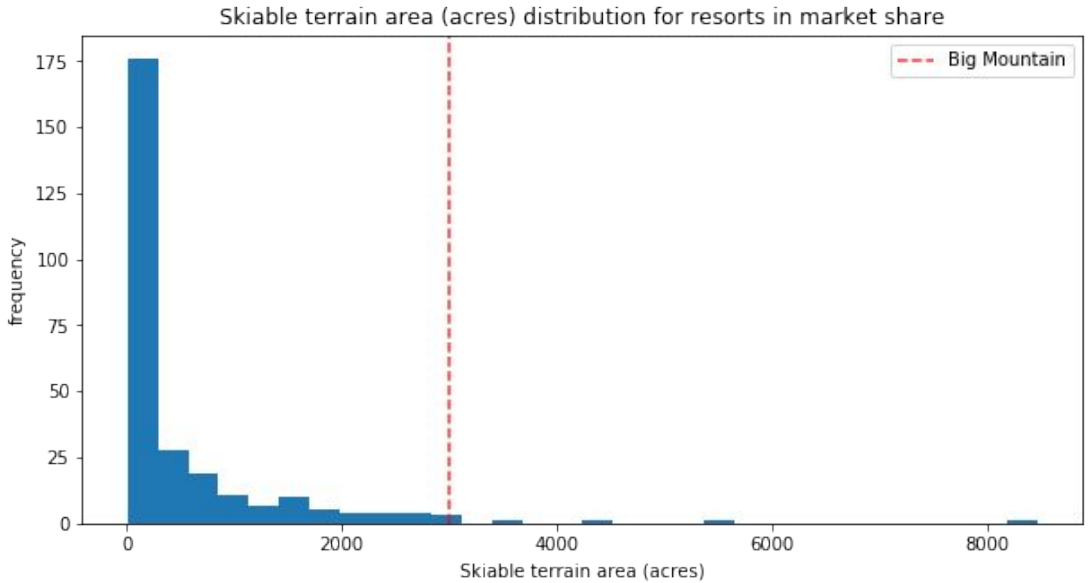
- Big Mountain has more “total chairs” than its competitors



- Most resorts have no “fast quad” but Big Mountain has 3



- Big Mountain holds one of the largest “skiable terrain” among its competitors



Reccomendation

Without any doubts, Big Mountain resort ranks high among competitor. Based on the current market, our model suggest BMR prices are underpriced and the actual ticket price is **$94.22.**

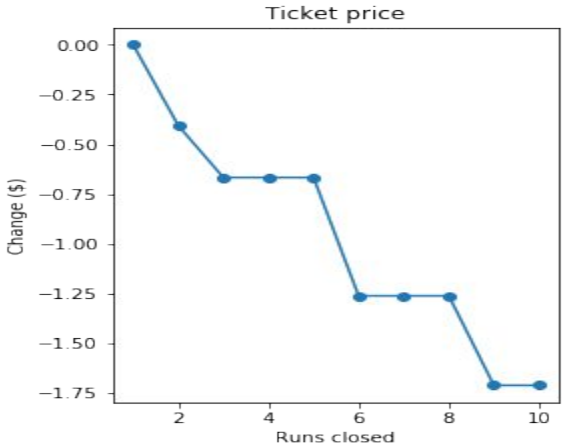
Modelling: Big Mountain’s Future Improvements

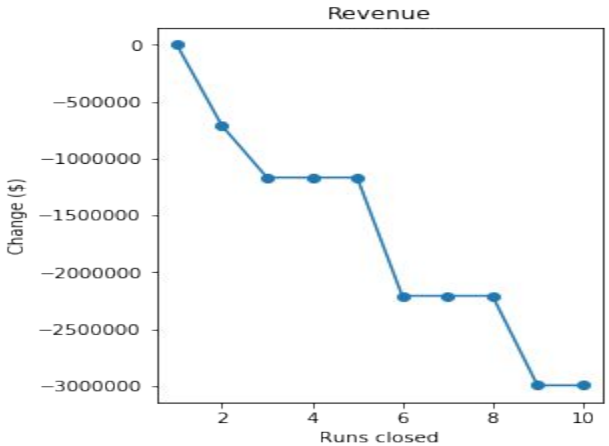
The business management has shortlisted some options for future improvement of the resort:

1. Permanently closing down up to 10 of the least used runs.
2. Increase the vertical drop by adding a run to a point 150 feet lower down but requiring the installation of an additional chair lift to bring skiers back up, without additional snow making coverage
3. Same as number 2, but adding 2 acres of snow making cover

The expected number of visitors over the season is 350,000 and, on average, visitors ski for five days. Our model reveals the following:

Scenerio 1: closing up to 10 used runs





The model says closing one run makes no difference. Closing 2 and 3 successively reduces support for ticket price and so revenue. If Big Mountain closes down 3 runs, it seems they may as well close down 4 or 5 as there's no further loss in ticket price. Increasing the closures down to 6 or more leads to a large drop.

Scenerio 2: Adding a run, increasing the vertical drop by 150 feet, and installing an additional chair lift:

This scenario increases support for ticket price by $1.99. Over the season, this could be expected to amount to $3474638

Scenerio 3: Increasing the longest run by .2 miles and adding 4 acres of snow making capability:

No difference whatsoever. Although the longest run feature was used in the linear model, the random forest model (the one we chose because of its better performance) only has longest run way down in the feature importance list.