

Guided Capstone Project Report

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The current ticket price strategy at Big Mountain Resort is not reflecting the actual value of the service, and is not properly covering the equipment maintenance expenses, and hampers the investment strategy. The resort has access to 105 trails. Annual guest amount - 350,000. There are 11 lifts, 2 T-bars, and 1 magic carpet for novice skiers. A recently installed lift increases operating costs by \$1,540,000 this season.

How can Big Mountain Resort:

- 1) increase the ticket price, to reflect the actual value the client gets from the resort's equipment (compared to competitors' data)
- 2) cut equipment operating cost by manipulating open hours and ticket price during less busy time

Big Mountain currently charges \$81 per a daily adult ticket. Our modelling suggests the price that could be supported in the marketplace by Big Mountain's facilities could be increased at \$1.99 to \$82.99 and will create additional income of \$3,474,638, that will cover this season increase in operating costs - \$1,540,000, and even more.

At the same time we have modelled some additional options for Big Mountain Resort. Here are the results of other modeling scenarios:

I. Closing runs

One closed run makes no difference and no impact on the price at all.

Two closed runs would have to lead to decrease in price at \$0.41.

Three to five closed runs - at \$0.67, so if you close more than 2, you probably can close 5 with no impact on price.

Over six - there is a great decrease in price at \$1.26 and more.

So, closing more than six runs at a time is not recommended.

II. The additional operating cost of the new chair lift per ticket (on the basis of each visitor on average buying 5 day tickets) in the context of raising prices to cover this

1. Adding a run, increasing the vertical drop by 150 feet, and installing an additional chair lift -

makes no difference to the price, so it is not necessary.

2. Adding a run, increasing the vertical drop by 150 feet, and installing an additional chair lift and adding 2 acres of snow making -

such a small increase in the snow making area makes no difference either

3. Increasing the longest run by .2 miles and guaranteeing its snow coverage by adding 4 acres of snow making capability -

makes no difference whatsoever.

As the slight improvements would not lead to further increase in the ticket price, they are not recommended in the nearest future.