

# Big Mountain Skiing Case Study

Pricing/Operation Recommendations

# Background/Goals for Study

## Goals:

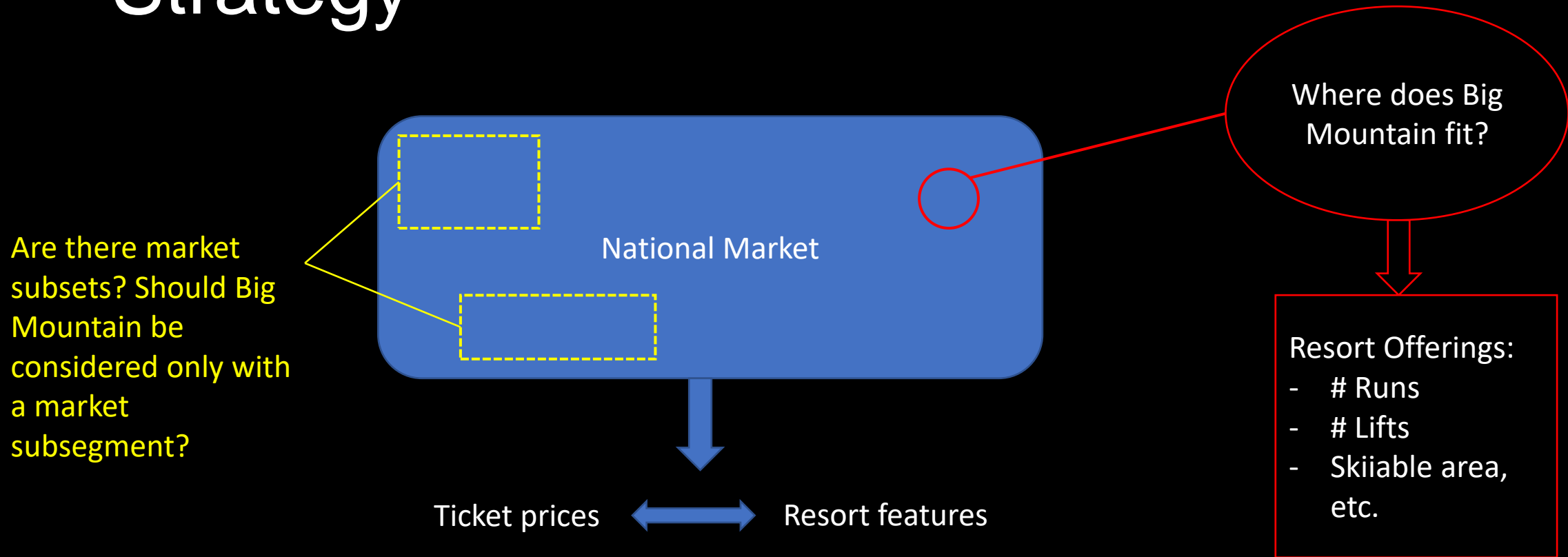
- Increase ticket revenue
- Identify/cut resort services that do not result in depressing revenue.

## Current Situation: Big Mountain Skiing

- Current pricing for Big Mountain at \$81/ticket.
- Set by premium charge over national market average
- Current operation:
  - 105 runs
  - 14 lifts of various types (triples, quads, fast quads, etc.)
  - 600 acres of snow making + nightskiing area
  - Vertical drop: 2353 ft.
  - Total skiable area: 3000 acres



# Strategy



Construct model to:

- Identify key resort features determinant of ticket prices
- Find appropriate pricing for Big Mountain based off:
  - Key resort features + location in market segment/subsegment
  - Expected value of pricing for given resort features + market

# Key Insights Gained

- No discernible market subsegmentation. Setting pricing using prices in Montana specifically doesn't make sense.
- Key resort features allowing for higher ticket pricing:
  - Number of runs
  - Resort's max vertical drop
  - Resort area where snow is guaranteed
  - Number of high speed quad lifts
- Recommended ticket price range: \$95 +- \$10 (compared to current \$81).
  - Result of regression model on price vs. key features on entire national market segment.
- Shut down 4-5 underutilized runs (slow and incremental roll-out with this).
  - Decrease in ticket price recommended by adjustments
- Add a new, longer run with a ski lift that extends the max vertical drop by 150 ft.
  - People will pay for an additional, well equipped run with a larger vertical range.

# Market Segmentation by State?

## Relevant distinguishing factors:

- PC2 proportional to resorts / capita in a state
- PC2 roughly related to the amount of skiable area + the average length of the season in the state

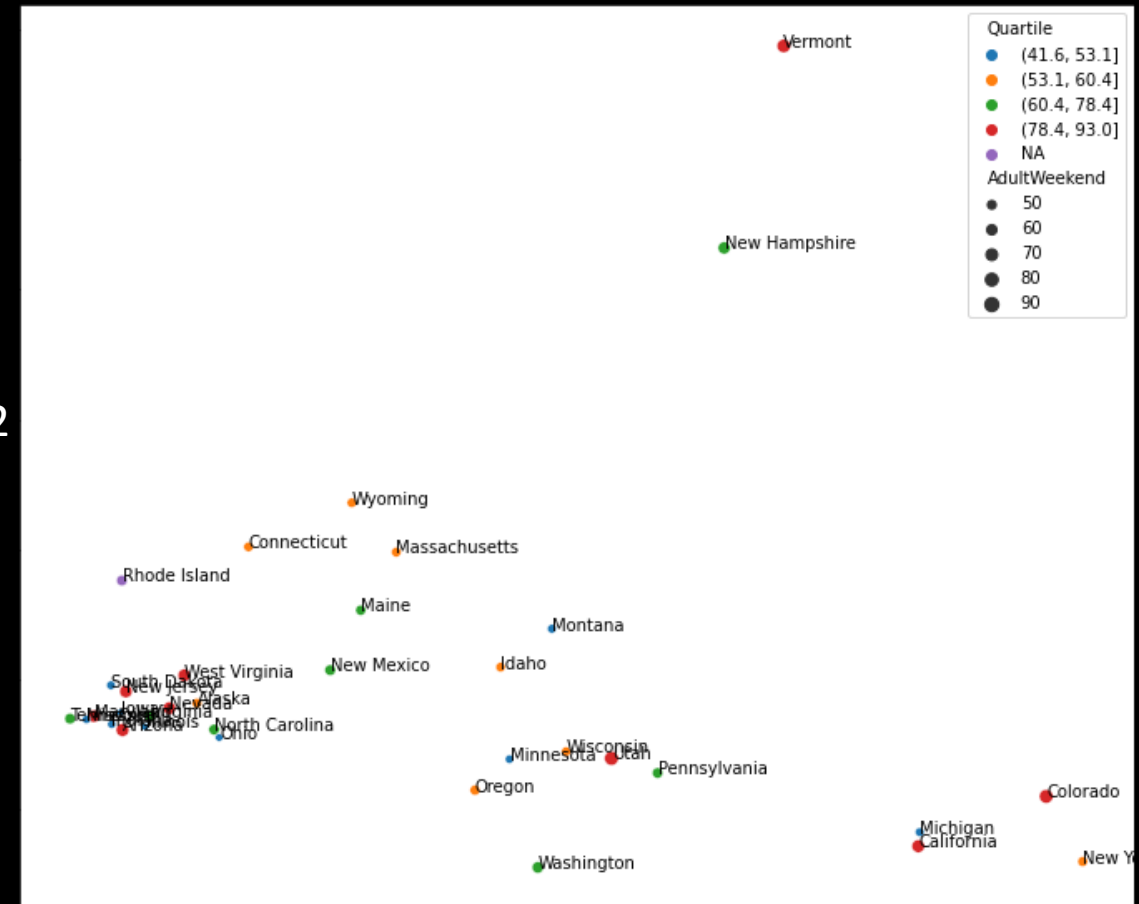
**Ticket pricing and quartiles do not show obvious grouping by state.**

**Pricing will thus be assumed to be determined by resort characteristics**

**We thus include entire national market in our analysis.**

## State Ticket Price Distribution

PC2

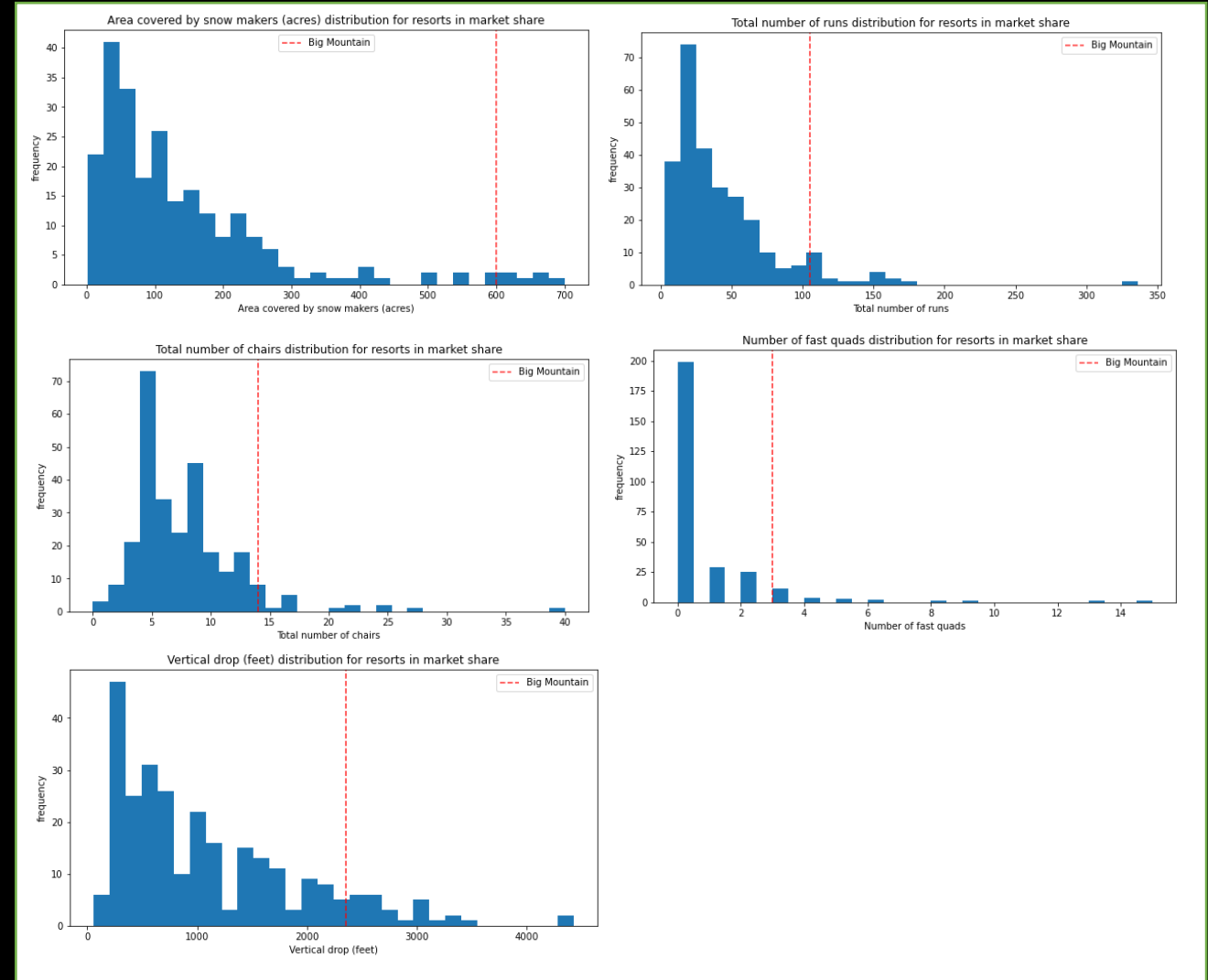
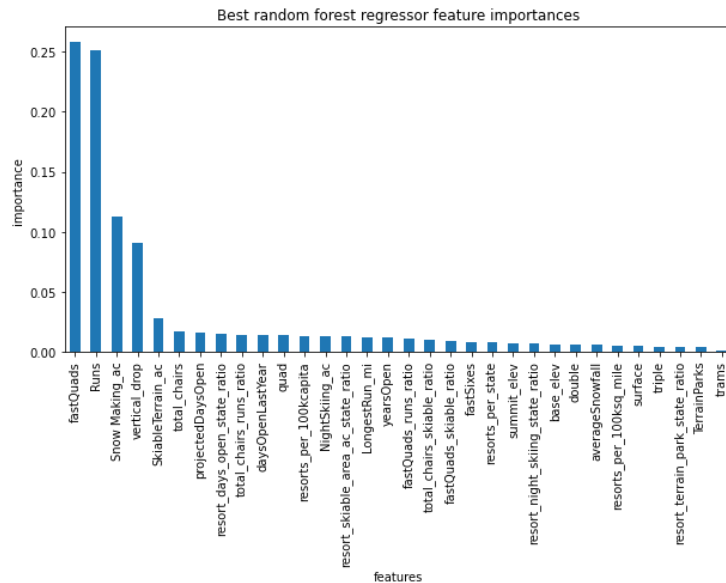


PC1

# Big Mountain Skiing vs. National Distribution

Big Mountain is at the top end of the distribution for all the factors dominantly correlated with the ticket price.

Note: \$78-\$93 range is the highest price quartile in national distribution. Our regression places estimated price at \$95 +/- 10. Makes some sense.

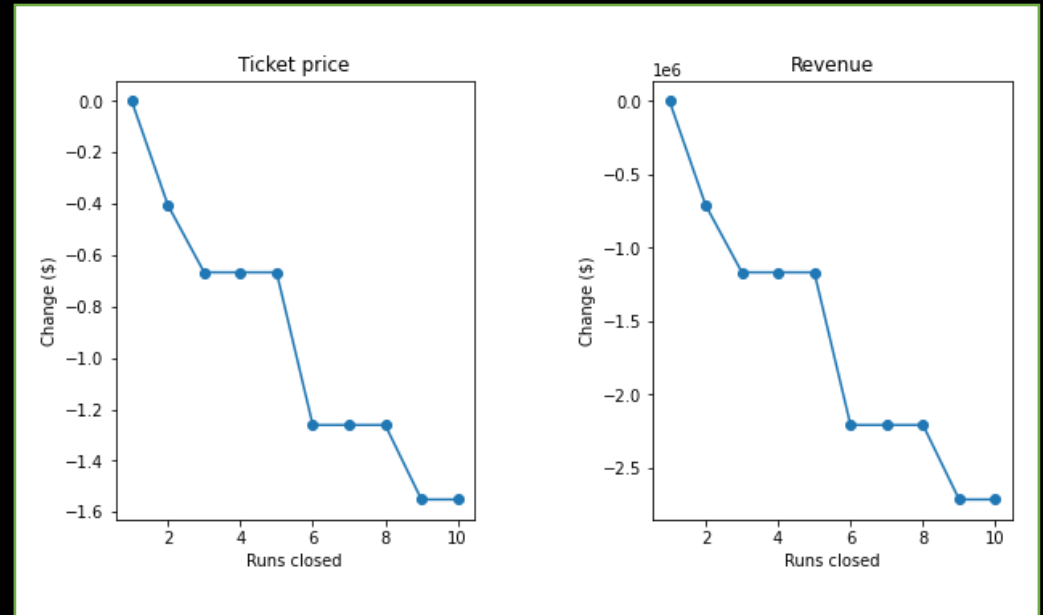


# Closing runs / additional recommendations

Regression model allows some insight into how closing runs from Big Mountain's operating point would correlate with recommended adjustments to ticket pricing.

Decreasing one run could be done w/o price reduction. ~ 3- 5 run reduction @ < \$1 ticket price reduction. Might be worth investigating incrementally closing ~ 3 to 5 runs and seeing the effect.

Operating costs for runs to be closed? → For estimating actual profit from this move.



## Additional recommendation

New modernized run with new lift + adding 150 ft to vertical drop (resort can improve specs on this) supports an additional ticket price increase of \$2.

# Conclusions

- Big Mountain skiing is at the top of the national distribution for various features that correlate with higher prices.
  - Analysis recommends pricing at \$95 +/- 10 / ticket. Current pricing @ \$81 / ticket
  - Shows that even conservatively Big Mountain underpricing by ~ \$4 per ticket.
- Estimated increase of revenue via conservative increase: \$7 million by adjusting by this much (assuming 350K visitors buying 5 tickets per season).

Could consider also shutting down 3-5 antiquated/underutilized runs and replacing them with a single modernized run that has a larger vertical drop. Model predicts how this should influence pricing. However, need additional data of operational costs to make conclusions on how this effects revenue.