Big Mountain Resort Pricing Model

Background

Big Mountain Resort is a ski resort with access to 105 trails that offer views of Glacier National Park and Flathead National Forest. Every year 350,000 people of all levels ski or snowboard at Big Mountain.

Problem Statement

What opportunities exist for Big Mountain Resort to develop and implement a new pricing strategy that can maximize capitalization in their facilities investments to offset their recent additional operating costs by 1.54M this season

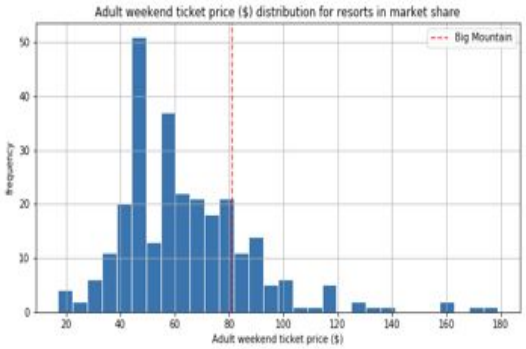
Current Pricing Strategy

Big Mountain Resort current pricing strategy is to base it on the market average however that won't be enough to maximize their capitalization investment and can't be sustainable to gain an edge over their competition

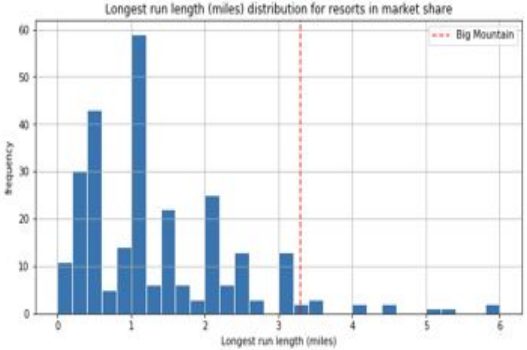
Recommendations

- Our model suggests that Mountain Resort's ticket price is lower than the predicted model by 16.31%
- The resort have many potential scenarios:
  - Cutting costs
    - Closing runs
  - Increasing ticket price
    - Adding a run, increasing the vertical drop by 150 feet, and installing an additional chair lift would increase the ticket price by 10.63% from $81 to $89.61, resulting in revenue increase by $15.1M
    - Adding a run, increasing the vertical drop by 150 feet, installing an additional chair, and adding 2 acres of snow making would increase the ticket price by 12.22% from $81 to $90.90, resulting in revenue increase by $17.3M

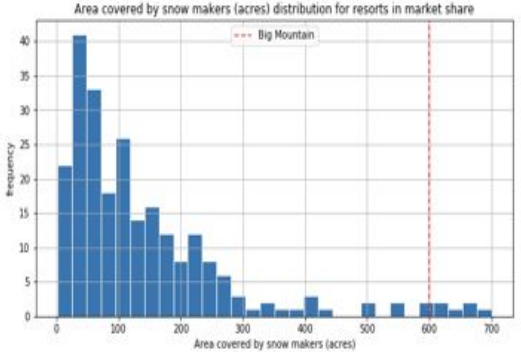
Big Mountain Resort vs Competitors



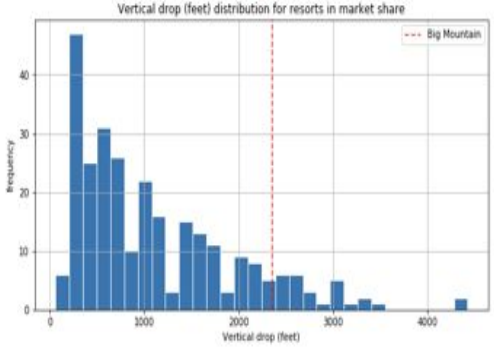
Big Mountain's Ticket Price compared to other Resorts Ticket Price



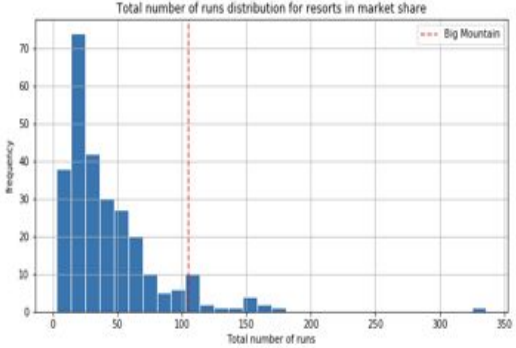
Big Mountain has one of the longest runs. Although it is just over half the length of the longest, the longer ones are rare.



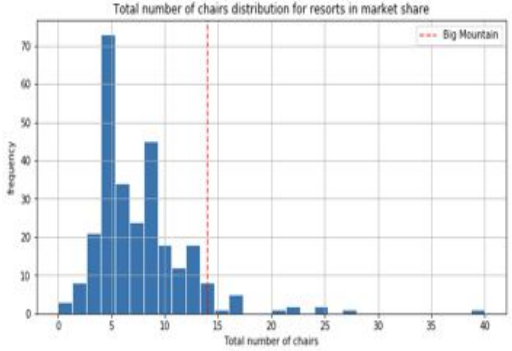
Big Mountain is very high up the league table of snowmaking area.



Big Mountain is doing well for vertical drop but there are still quite a few resorts with greater drops.

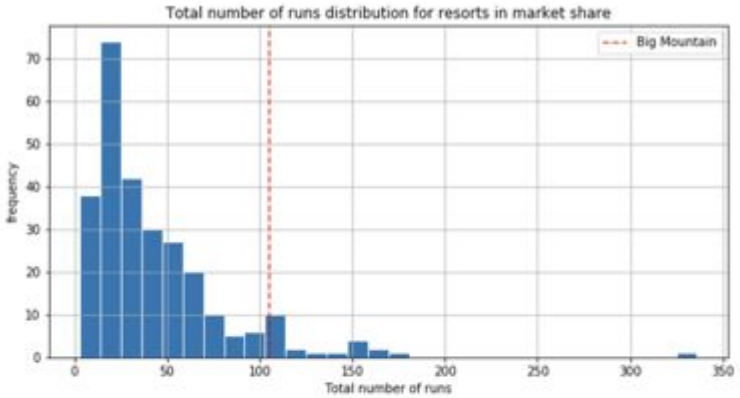


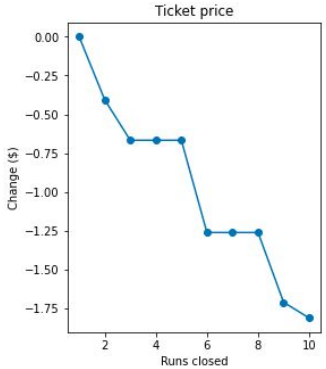
Big Mountain compares well for the number of runs. There are some resorts with more, but not many.

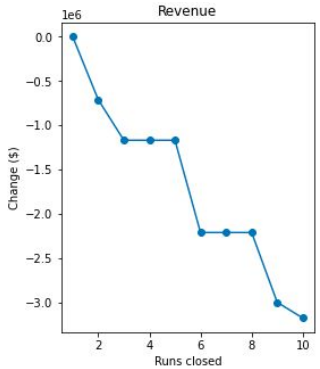


Big Mountain has amongst the highest number of total chairs, resorts with

Cost Based Strategies







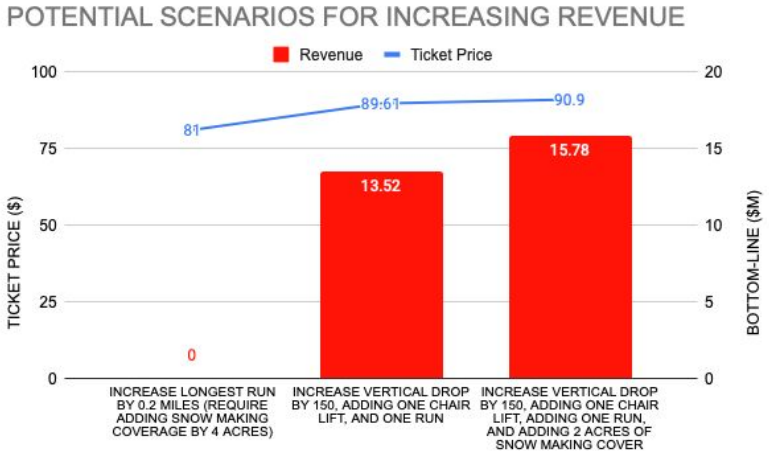
Big Mountain Resort reviewed the scenario for cutting costs by permanently closing down up to 10 of the least used runs

- Closing 1 run - no impact on Ticket price or revenue
- Closing 2 runs reduced ticket price and revenue by $0.4 and $750,000 respectively
- Closing 3, 4, or 5 runs had similar loss in ticket price and revenue by $0.67 and $1.25M respectively
- Closing 10 runs reduced ticket price and revenue by $1.71 and $3M respectively.

Data Limitations - Missing operating costs for most of the resorts features (ex. Runs operating costs)

- Our model cannot recommend closing down used runs
- Our model cannot determine how much cost savings will offset loss in revenue

Revenue Based Strategies



Our Model highlights increasing ticket price by 12.22% from $81 to $90.90, results in a bottom-line increase by $15.78M (after deducting operating costs = $1.54M) and the best scenario to accomplish this increase includes:

- Increasing vertical drop by 150 ft
- Adding one Chair Lift
- Adding one run
- Adding 2 acres of snow making cover

Data Limitations - Missing Weekday ticket prices

- Our model cannot recommend implementing a dynamic ticket pricing such as having higher ticket prices during the weekends and lower ticket prices during the weekdays