Big Mountain Ski Resort Pricing Strategy

Problem Space

Problem: Big Mountain Ski Resort's investment strategy is limited by pricing tickets based on the average price in its region.

Context: Currently they charge a premium above the average price of resorts in its market segment. This does not take into account additional premiums BM could charge for its facilities.

Hypothesis: Offering tiers of ski passes with access to different facilities ahead of the next winter season will enable Big Montana Resort to capture more profit from ticket prices.

Problem Space

Criteria for Success: Increase in overall revenue and ticket sales

Constraints:

- Customers may be resistant to paying more than they are, even if they package is better
- Price shouldn't be more than average

Stakeholders: Jimmy Blackburn, Director of Operations - final approver, feedback on initial recommendation, Alesha Eisen, Database Manager

Data sources: Comparative data on 330 resorts in the US that can be considered part of the same market share

Recommendation and Key Findings

We observed that the difference between the modeled mean ticket price and BM's current price is ~$10, therefore BM can explore increasing ticket prices for desirable features without a loss to revenue.

We tested various simulations of how changing facilities offered by BM would impact ticket prices and found the two most promising changes were:

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Modeling Scenarios

We tested various simulations of how changing facilities offered by BM would impact ticket prices and found the two most promising changes were:

1. Permanently closing down up to 10 of the least used runs. This doesn't impact any other resort statistics.
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
4. Increase the longest run by 0.2 mile to boast 3.5 miles length, requiring an additional snow making coverage of 4 acres

Modeling Results

1. Closing runs
    a. BM could close 5 runs and only lose $1 per ticket. If it's more cost effective to close runs, BM could generate more revenue by cutting these costs
2. Increase vertical drop and install additional chair lift to bring skiers back up *or* this + adding 2 acres of snow making cover:
    a. Both support a price increase of $2
    b. BM could adopt the first approach as snow making would not incrementally impact price
3. Increase longest run & add snow making
    a. No observed difference in predicted price

Limitations

In determining whether and how much Big Mountain can raise their prices, we have to account for that the validity of our model lies in the assumption that other resorts accurately set their prices according to what the market supports.

If other resorts are mispricing themselves, we would be inheriting misplaces assumptions in what people are willing to pay. Knowing operating costs of other resorts would help inform as us to ticket prices are proportionately set.

Summary

- BM has $10 of wriggle room in its ticket price, so can adopt a tiering approach without a loss to revenue
- Closing runs was the most potentially impactful way to cut costs
- Increasing vertical drop and adding a chair lift supported an increased ticket price by $2