

Big Mountain Recommendation Summary

Background

Big Mountain installed a new chair lift that increases their operating costs by \$1,540,000. this season. Historically their ticket prices are set by adding a premium to the average ticket price of resorts in its market segment. Leadership suspects that this approach might not capitalize on Big Mountain's robust facilities. Big Mountain needs to reduce costs and/or increase ticket prices to maximize profits and cover the cost of their new lift.

The business leadership team has shortlisted some options:

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
4. Increase the longest run by 0.2 mile to boast 3.5 miles length, requiring additional snow making coverage of 4 acres

As part of our modeling we evaluated all 4 of the shortlisted scenarios above and determined that scenario 2 would be the most profitable. When we increased vertical drop by 150 feet and added an additional chair lift to our model, the projected ticket price increased by \$1.99 to \$82.99. This increase would generate an additional \$3,482,500. which would more than cover the cost of the lift already purchased (\$1.54M) and also the cost of purchasing another lift.

Recommendation

Based on data analysis and modeling our recommendation for Big Mountain is two-fold:

1. Increase adult ticket price this season by \$4.00 this to immediately cover the cost of new chair lift and generate funds to purchase another chair lift for next season.
2. Next season maximize profits by by adding another chair lift to increase vertical drop.

Recommendation Summary

Big Mountain has facilities and views of Glacier National Park that rival top ski resorts throughout the country. While their adult lift ticket price is at the top of Montana's market, it's one of the more affordable when comparing it nationally to other top resorts. Based on Big Mountain's robust facilities, we determined that fair market value lift ticket price should be \$95.87. Even with taking the absolute error of \$10.39 into account, there is room to increase Big Mountain's ticket price by \$4.00 to \$85.00. With an expected 350,000 visitors purchasing on average 5 tickets each, the additional \$4.00/ticket would generate an additional \$7M this season. That \$7M would more than cover the cost of the new lift (\$1.54M) and also the cost of purchasing another lift to maximize profits as described above in scenario 2.



