Our recommendation to BMR executive is to increase ticket prices to ~$96/ticket.

To wit, Big Mountain Resort currently charges $81/ticket, but our Random Forest model predicts a ticket price of $95.87 based on the resort’s characteristics. With an MAE of $10.39, this suggests BMR is currently underpricing relative to the value of their amenities / skiable terrain.

While a ticket price in this range would place BMR towards the higher end of the distribution for ticket price (see 'Adult weekend ticket price distribution for resorts in market share' below), this is reflective of BMR's status as a premium resort and prices according to the value provided. As evidenced by the histograms below this text, for the characteristics of mountains that have the greatest impact on ticket price, BMR is towards the high end of the distribution on nearly every metric and should be priced as such.

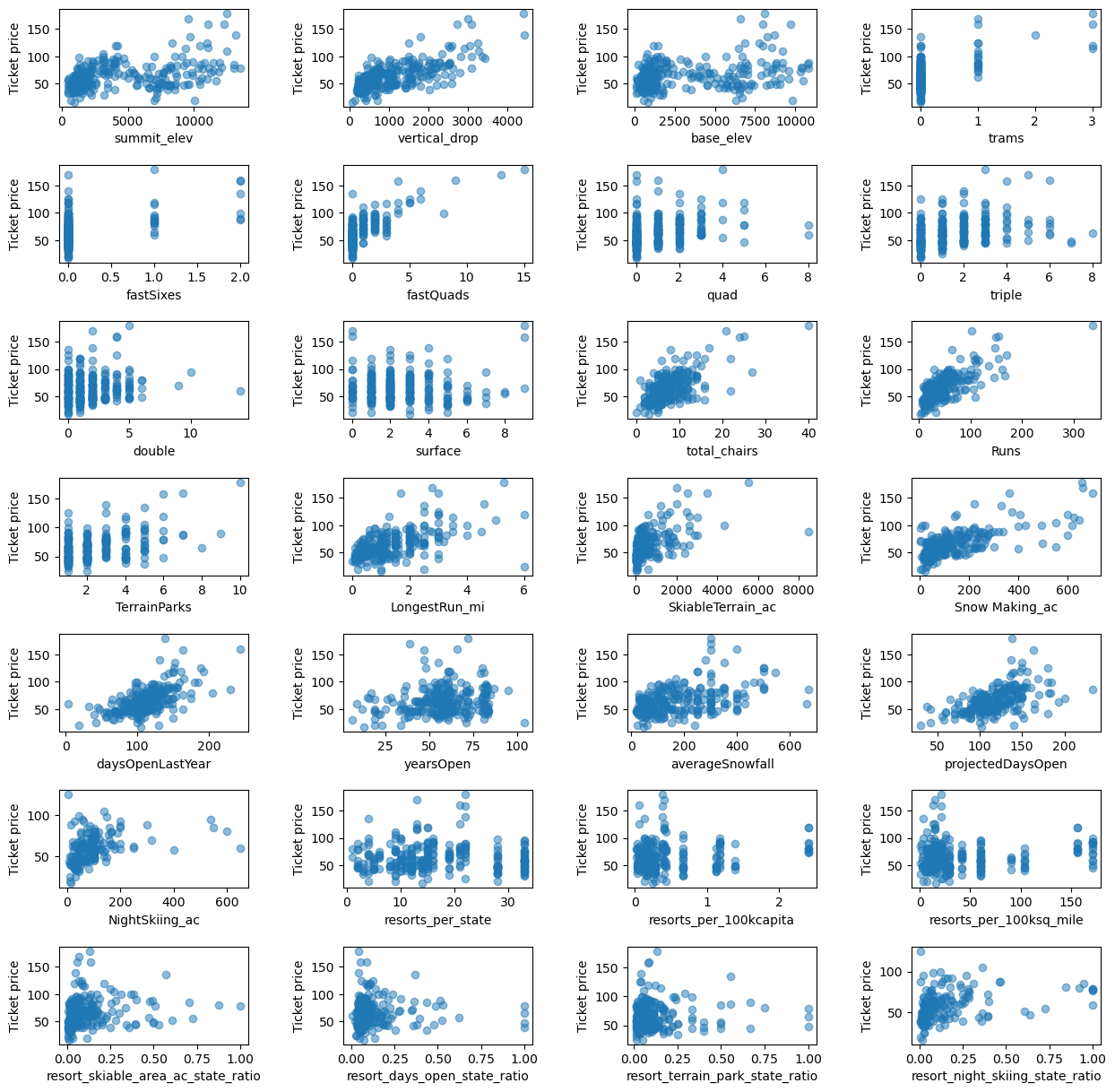
As it relates to capital improvement projects, we don’t currently have all of the required information to determine the NPV of new additions, installing new chair lift that improves “skiable terrain” metrics is worth exploring in more detail.

Specifically, installing a single new chair is expected to yield a predicted price increase of ~$0.29/ticket. Given annual expected visitors is 350,000 and on average a visit will ski for 5 days, adding an additional chair lift is expected to increase annual revenues by ~$500,000/season. Given we were told in the project overview that a recent chairlift installation is expected to increase operating costs by $1.54m/season (and assuming this amount does not include the upfront costs associated with installation), this suggests installing a new lift will not necessarily increase operating profit unless it also enhances other metrics that correlate with increased ticket price.

However, installing a lift that yields 1 new run and 150ft of additional vertical drop would support a significant (i.e. $1.99/ticket) price increase that would expect to increase revenues by $3.5m/season, well above the expected increase in operating costs. As such, this is a scenario worth exploring.

To continue, we would need to know the cost of capital for the business and determine whether the net present value of installing the chairlift is greater than zero to decide whether or not we should move forward with the project.

Information that would be needed to continue analysis would include: The weighted average cost of capital (as described above) to determine the NPV of installing a new lift; the upfront costs associated with installing a new lift; operating cost savings from closing certain runs to understand the net impact of those actions; how these expected actions (whether addition of features or changing ticket prices) might impact visitor demand or expected visitors per season.



Chart, histogram

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Chart, line chart

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