

A report on the findings of Big Mountain Resort's pricing strategy

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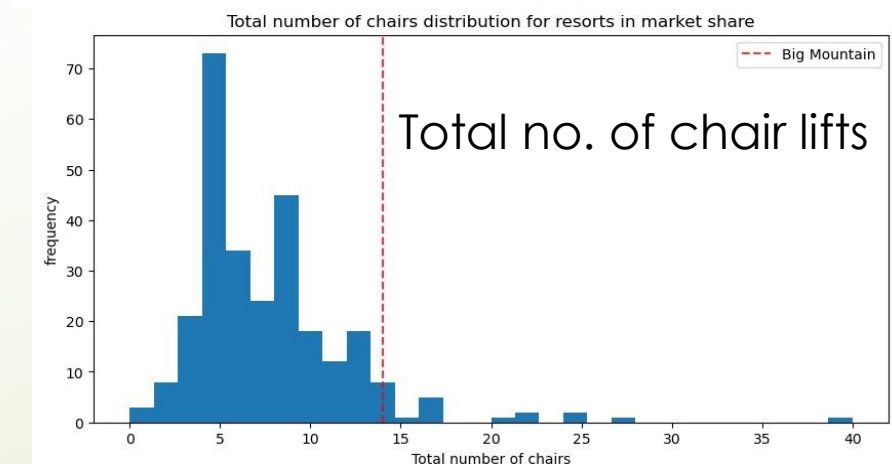
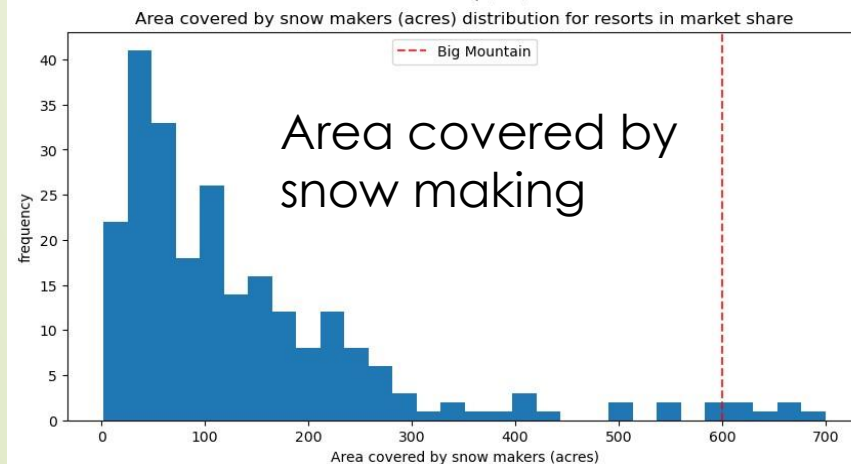
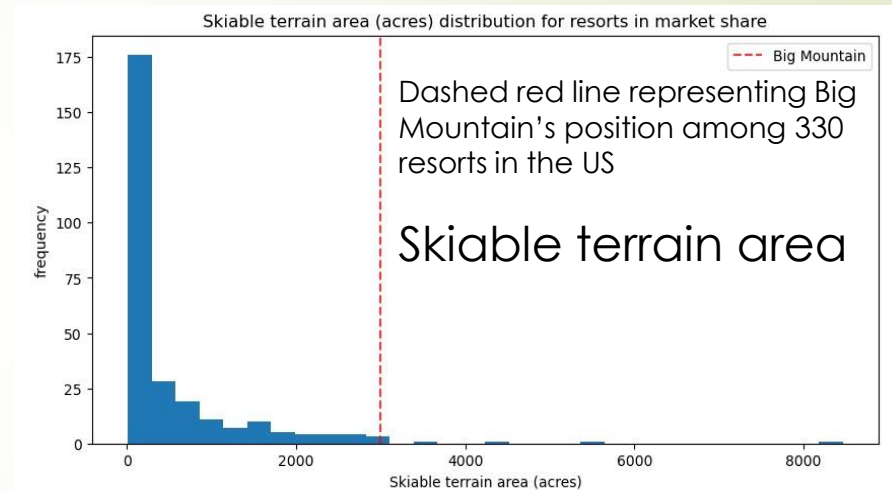
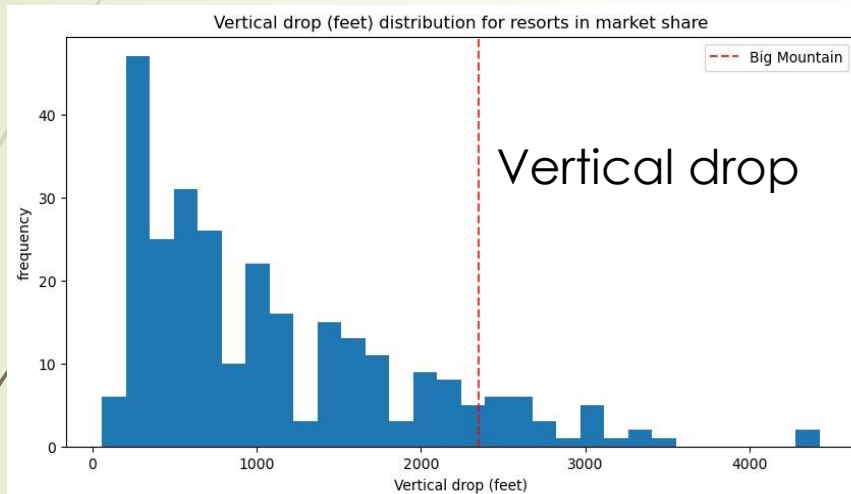


A sneak peek into the present ski market

- The ski and snowboard resorts industry has benefited from favorable economic conditions over most of the five years to 2023. Improvements in household income enabled families to increase their spending on vacations.
- Overall, industry revenue increased at a Compound annual growth rate (CGAR) of 3.7% to \$4.6 billion USD over the five years to 2023.
- Major players Vail Resorts and Alterra Mountain expanded their Epic Pass and Ikon Pass, enabling consumers to ski at multiple mountain locations of their choice. These packages helped these major players better contend with shorter snow days at selected locations under the company's umbrella.
- Winter tourism is not only sensitive to climate change, but it's also vulnerable to customer income and spending patterns.

A look into the matter at hand

- Big Mountain, with the recent addition to the chair lift, is facing issues with increased operating cost. It seemed to have problem finding ways to compensate for the increased operating cost of the chair lift.
- With Big Mountain's beautiful parks and being amongst the highest in many amenities like snow making area, vertical drop, number of total chairs, amount of skiable terrain, hopefully it's not going to be a problem.
- The red line representing Big Mountain's position among 330 resorts in U.S. with only a few scoring higher than Big Mountain.
- By focusing on the facilities that contribute most towards ticket price, Big Mountain could push the ticket price to a value that will successfully compensate for the \$1.5M rise in operating cost.



Key findings and recommendations

- One of most contributing features to the ticket price is found to be vertical drop.
- It yields most beneficial results when combined with chair lift and adding an additional run.
- **150m** increase in vertical drop by adding a run with the addition of **a chair lift** predicts an increase of **\$8.61** in ticket price.
- Over the season, this could be expected to amount to **\$15M**.

Modeling results and analyzing

- ▶ Our final model predicted a ticket price of **\$95**, current price being **\$81** at this moment. Even with the Mean Absolute Error of 10%, it shows that there is room of increase.
- ▶ Mean absolute error is arguably the most intuitive of all the metrics, this essentially tells you that, on average, you might expect to be off by around \$10 if you guessed ticket price based on an average of known values.

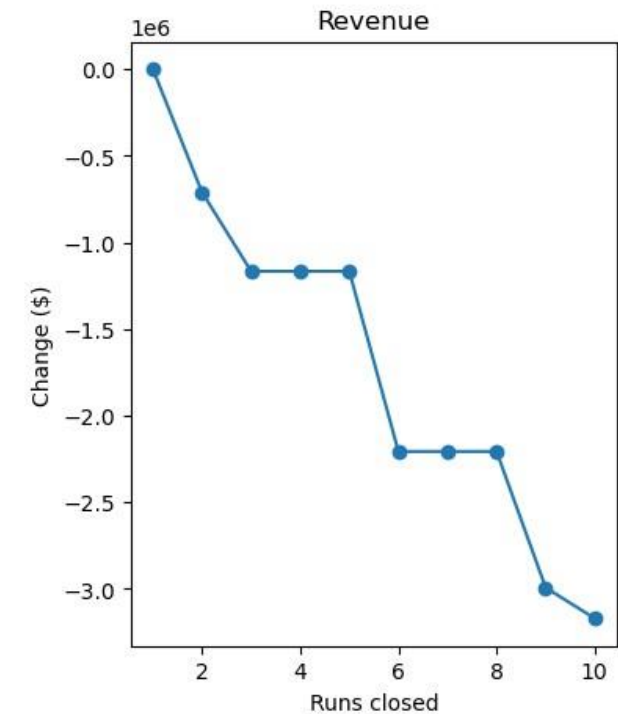
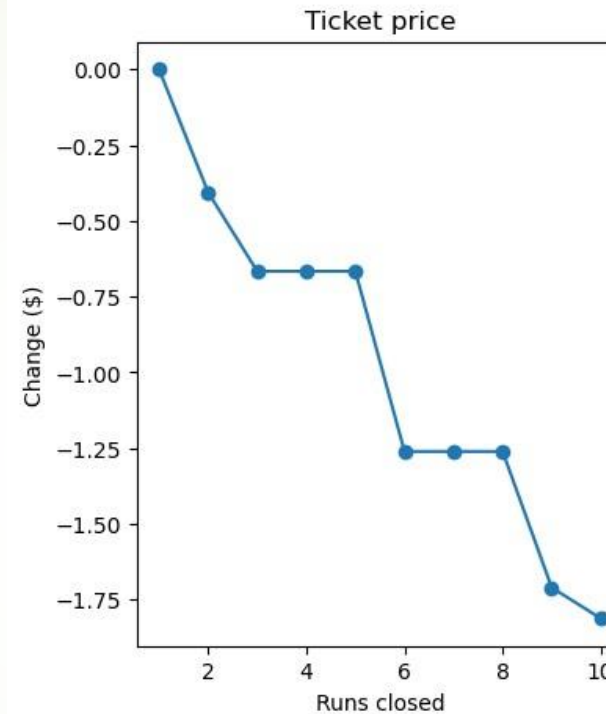
Different scenario modeling

- Increase vertical drop with a run and an chair lift with additional snow making coverage
 - By adding an additional **2 acres** of snow making predicts a revenue of **17.32M** over the season, not an significant increase from our initial achievement of 15M.
- Night skiing area and the longest run
 - No addition increase in revenue is predicted by increasing the night skiing area or increasing the longest run.

Cutting operational cost

➡ Reducing the number of runs

- According to the model closing one run makes no difference.
- Closing 2 and 3 successively reduces support for ticket price and so revenue.
- If Big Mountain closes down 3 runs, it seems they may as well close down 4 or 5 as there's no further loss in ticket price.
- Increasing the closures down to 6 or more leads to a large drop.



Validation and Future Strategy

- The validity of our model lies in the assumption that other resorts accurately set their prices according to what the market (the ticket-buying public) supports.
- We could also survey customers on price sensitivity to validate if customers would be willing to pay the higher modeled price.
- The model is a valuable tool for exploring pricing adjustments based on amenities changes, helping executives plan for future investments in facilities.
- Leaders could use the model to estimate revenue impacts of facility changes or price increases.
- This could inform budgeting and forecasting.
- The model allows the business to test different pricing and facility configurations to stay competitive while optimizing revenue.