Big Mountain Resort

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Problem Identification

Big Mountain Resort had been using a non scientific method to determine their ticket pricing

With a new lift being put in that costs about $1.5M, they wanted to raise prices

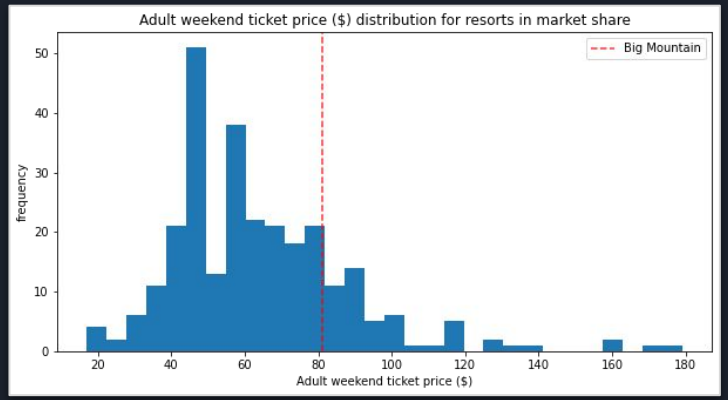
Recommendation and Key Findings

We would recommend raising the ticket price to about $92

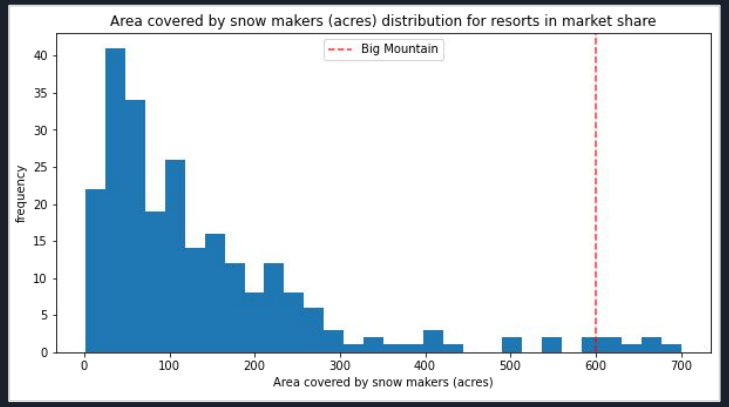
Biggest factors for ticket price:

- number of runs
- area of skiable terrain
- area covered with snow making

Modeling Results



The old price was $80, which is close to the center of the distribution



The area covered by snow makers is high in the distribution

Analysis

Assuming the number of visitors and number of visits per visitor stays the same this season, the projected increase in revenue is $21M

There are also other scenarios that were modeled if facilities were changed in the resort

Scenarios

Scenario 1: Closing runs

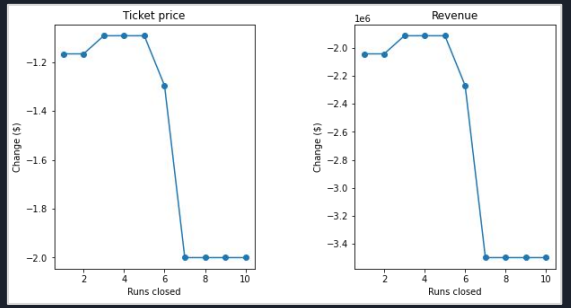
If we decide to close runs, the best option would be to close 5. This would cut costs the most and lose us the least revenue

Scenario 2: Adding a run that increases vertical drop by 150 ft

Supports a ticket price raised to $96 or $7M more revenue than the raised price of $92

Scenario 3: Same as Scenario 2 with two acres more snowmaking

This would raise revenue $4M more than Scenario 2. This could be profitable depending on the cost of snowmaking



Summary

- Big Mountain Resort's old ticket price of $80 is low for a resort of its caliber
  - Big Mountain Resort is on the high end of the biggest contributing characteristics in ski resorts
- A ticket price increased to $92 is justified with no changes to facilities (or costs)
  - Would raise profit by $21M
- Adding a run and chair that increases the total vertical drop by 150 ft could raise $7M more in revenue
  - This would certainly be profitable with the known cost of adding a chair being $1.5M