

Guided Capstone: Big Mountain Ski Resort Pricing Strategy

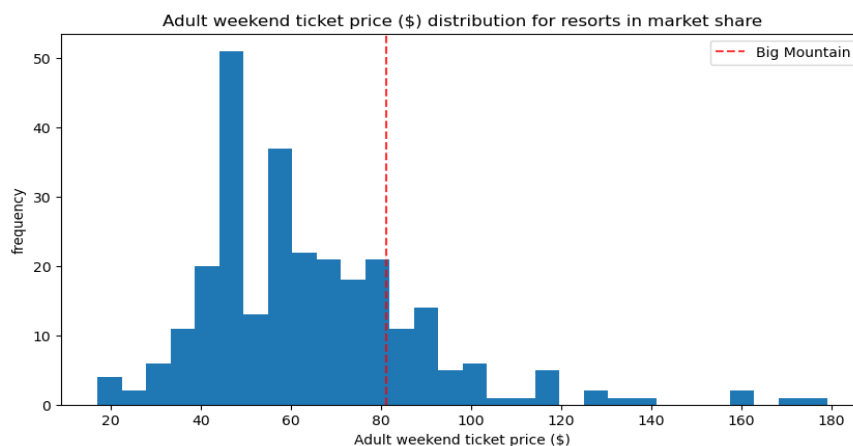
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Introduction

The Big Mountain Resort(BMR)'s pricing strategy, which has been to charge a premium to customers, now has been challenged for reasons below. First, the utilization of current facilities are considered as not at their maximum. Second, the value of some BMR's facilities are not being recognized, which in turn, have BMR's investment strategy hampered. Business is looking for a guidance for their ticket price, which ensure the capitalization of their facilities and their facilities' value recognition while return a profit over their investment on a new lift.

Recommendation

1. **Increase ticket price:** The Adult Weekend ticket price for Big Mountain Resort is currently \$81.00. Based on our analysis, even with the expected mean absolute error of \$10.37, we recommend that Big Mountain Ski Resort increase its ticket price to **\$95.74**. Our market context analysis considered the following features: vertical drop, snow-making acres, total chairs, fast quads, runs, longest run in miles, trams, and skiable terrain acres.



2. **Facility Investments strategy:** Out of the four options listed by the business, **Option B** is the most favorable choice. By implementing Option B, the Big Mountain resort can increase its ticket price by \$1.99, resulting in an expected increase in revenue of \$3,474,638 over the season. When running modeling scenarios, it was found that there is no significant difference between scenarios 3 and 4 compared to Scenario 2. However, in unfavorable market conditions, the business could also consider Option A. This is because the Big Mountain Resort currently has 105 runs and even if 5 runs are closed, the resort will still be in the top 10% of runs in the market. While closing runs could save on operating costs, it would also lead to a \$1 million drop in total revenue, as ticket prices would need to be reduced by \$0.75.
 - A. Permanently closing down up to 10 of the least used runs. This doesn't impact any other resort statistics.
 - B. 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
 - C. Same as number 2, but adding 2 acres of snow making cover
 - D. Increase the longest run by 0.2 mile to boast 3.5 miles length, requiring an additional snow making coverage of 4 acres

