

Big Mountain Ski Resort

Addressing pricing and resource allocation

Problem statement

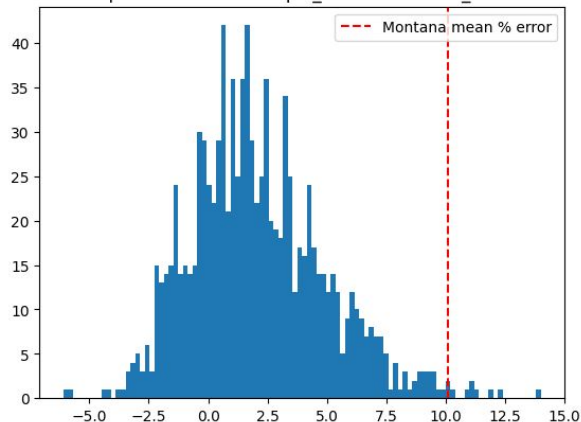
Given the facilities of Big Mountain Resort, what is our current profit maximizing price, and in what facilities should we invest or divest resources to maximize profit?

Pricing recommendation: raise pricing according to facility change

Even though our model suggests we are undervalued by \$14.87, our model also says that all other resorts in Montana are undervalued. This indicates that our model may be overvaluing all resorts in Montana, or all resorts in Montana are priced below true market value.

Therefore, we recommend only increasing ticket prices according to changes in facilities. If a change in a facility is predicted to add \$1 per ticket sold, we should increase ticket prices by about \$1.

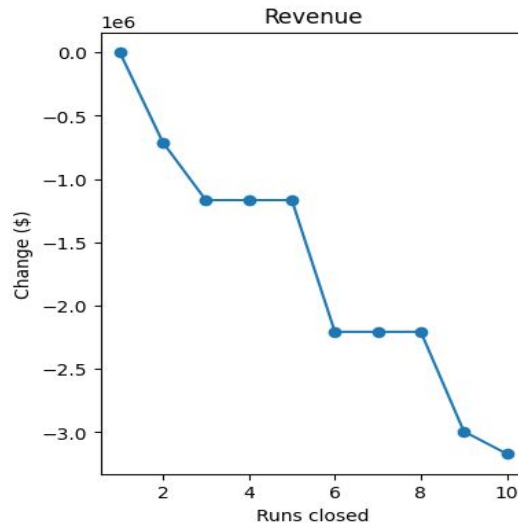
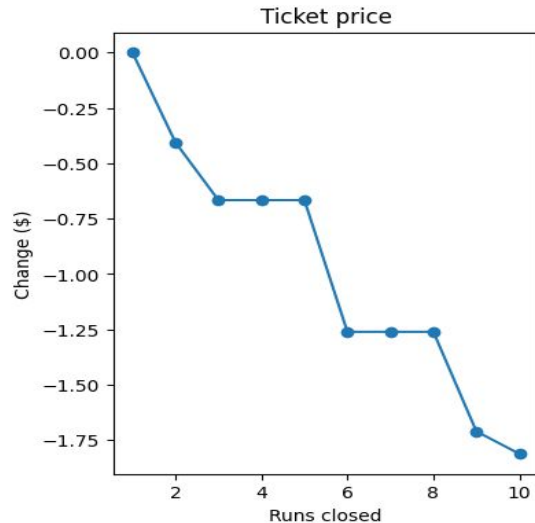
1000 sample means with sample_size=11 from %_error column



The figure shows that it is likely not a coincidence that the 11 resorts in Montana have a predicted price 10% above their actual price.

Recommended business change

Close down least popular runs: Assuming our model is correct we should close 0, 5, or 8 runs, given ticket price reductions of 0, .66, 1.26 in ticket prices, giving a yearly drop in revenue of 0, 1155000.0, 2187500.0. If the drop in operating costs are significantly greater than these drops in revenue, we should consider closing some runs. To experiment, we should close 5 runs to start and monitor visitation rates and customer satisfaction to see if there is greater loss in value than expected.



These figures show the appropriate change in ticket price and the associated drop in revenue for each run closure

Recommended business change

Add a run, increasing the vertical drop by 150 feet, and installing an additional chair lift. The extra expected value is \$3,474,638 so if the extra cost is less than that, it could be a good idea.

Conclusion

We built a model to predict our fair market value and determine the best business plans to increase profits. We recommended keeping adjusting the price according to facility changes. We also recommended to facility changing business plans:

- 1) Closing the 5 least popular runs
- 2) Adding a run, increasing the vertical drop by 150 feet, and installing an additional chair lift