

Big Mountain Resort

Problem Statement Worksheet (Hypothesis Formation)

How do we increase revenue (by TBD) before the beginning of the 2022 ski season (Nov?) by aligning resort features with ticket prices and, future investments and resort changes.

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1 Context

Big Mountain Resort (BMR), is a ski resort located in Montana. BMR offers views of Glacier National Park and Flathead National Forest, with 105 trails. Every year about 350,000 people ski or snowboard at BMR. Recent additions have increased operation costs. Ticket prices are currently determined by finding the the average of the market segment and adding a 'premium.' BMR desires a data driven method of identifying resort features that drive ticket prices.

2 Criteria for success

New pricing model to be delivered for the 2022 ski season, ticket prices implemented immediately, and model to be used for future resort development

3 Scope of solution space

Pricing model will be used by BMR to drive ticket prices, and future investments

4 Constraints within solution space

Menu costs may be significant with respect to ticket price implementation

5 Stakeholders to provide key insight

Director of Operations: Jimmy Blackburn
Database Manager: Alesha Eisen

6 Key data sources

Data to be provided by database manger in csv file

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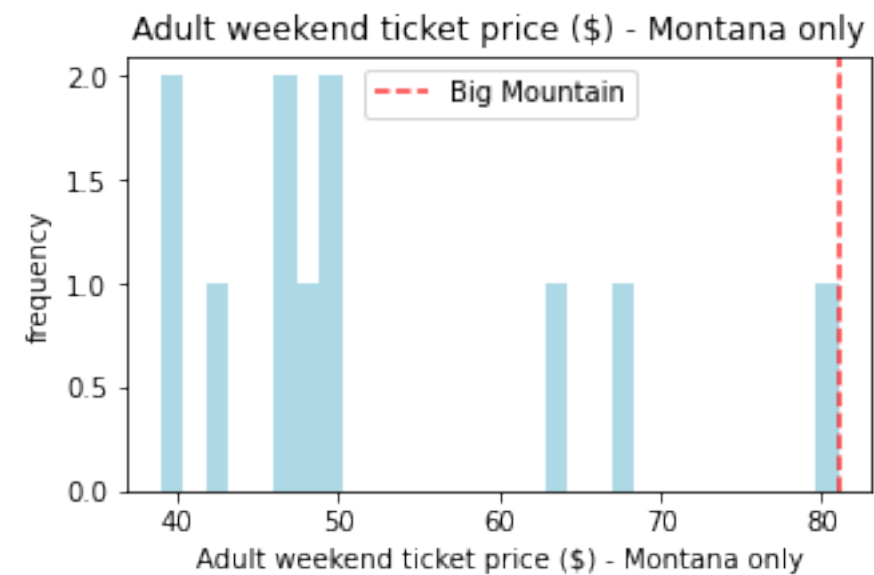
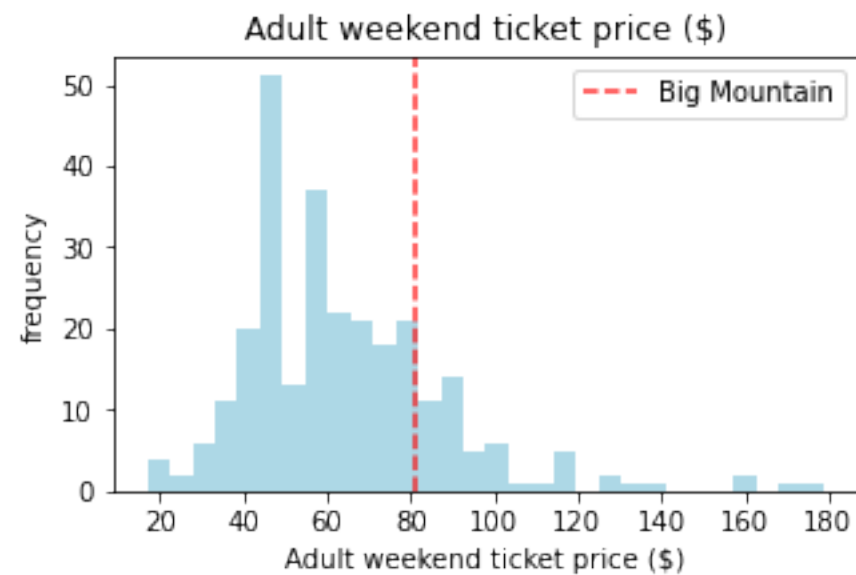
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Findings: Big Mountain Resort (BMR) is a leader in many resort features. However, BMR's current ticket price is below the modeled market segment value. Based on resort features and peer resort features, the model supports raising the adult weekend ticket price. Additionally, operating costs may be reduced by closing between 1 and 5 runs.

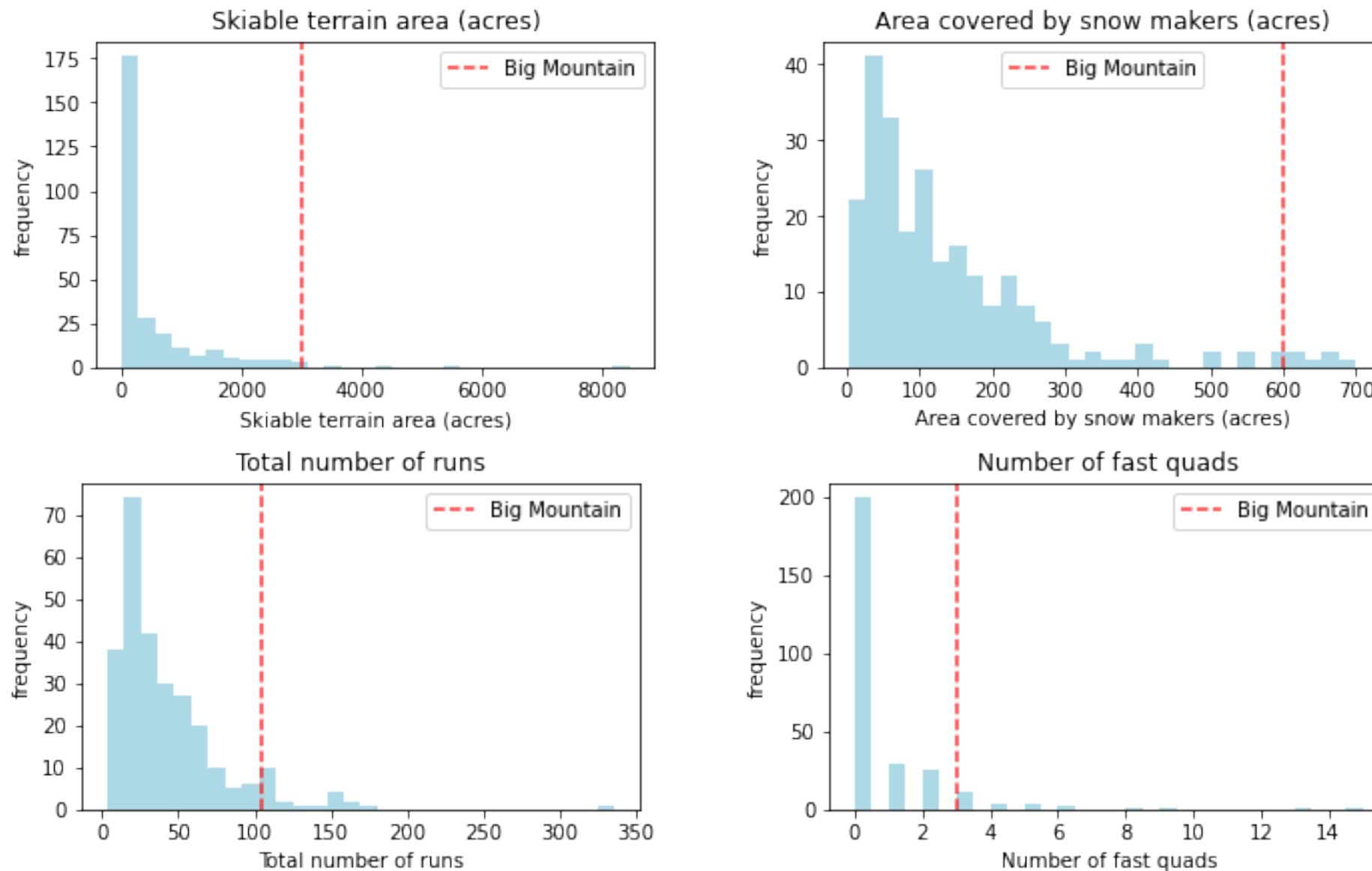
Recommendations: The ticket price should be raised to reflect the resort features to a modeled price around \$95. A maximum of 5 lesser used runs could be closed, while caution should be used to maintain the number of chairs, skiable area, and snow making area.

Current Ticket Prices



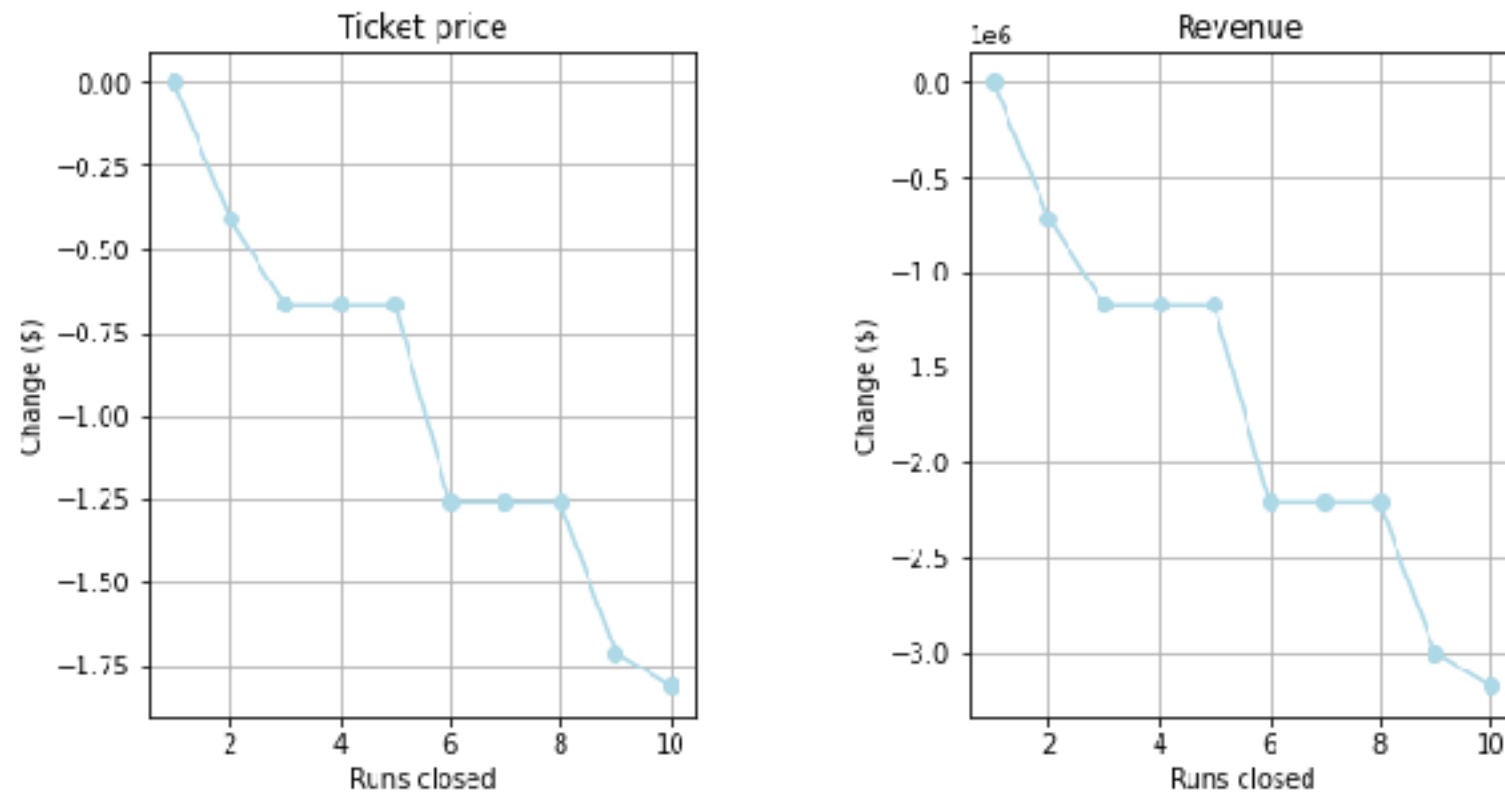
BMR ticket price is in the low extremity of the upper quartile when compared to its national market segment. However, it must be noted that BMR is the highest ticket price in Montana.

Resort Feature Comparison



BMR is in the top quartile in all of these features. An increase ticket price to around \$95.00 is inline with the features and the modeling.

Modeling Run Reduction



Reducing the number of runs by one has no effect on the ticket price, between 2 and 3 runs the price declines by around \$.70, then until 5 runs reduced there is no change. It is recommended to either, drop 1 run, or drop 5 runs. There is significant revenue reduction with dropping 5 runs. However, the new recommended ticket price and reduced operational costs should offset any losses.

Summary

The modeled price for Big Mountain Resort is \$95.87, with a current price of \$81.00. It is recommended to increase the ticket price to \$95.00. It may be useful to introduce a the substantially higher price along with increased communication regarding the features of the resort. An increase of nearly \$14.00 per ticket results in a gross increase of \$24,500,000, given 350,000 visitors skiing for 5 days on average. The plethora of quality resort features justify the price increase. If additional cost reduction is desired, it is recommended to eliminate one run. However, if more than one run is desired closed, it is recommended to close 5 runs. However, it must be noted that revenue is predicted to drop precipitously if over 5 runs are shut down. Conclusion: Big Mountain Resort has a lot of features that predict a substantially higher ticket price, however it must be taken into consideration that BMR has the highest ticket price in Montana.

Conclusion

Big Mountain Resort has a lot of features that predict a substantially higher ticket price. Additionally, cost savings can be realized by reducing the number of runs.