Guided Capstone Project Report

Our client is Big Mountain Resort, a ski resort located in Montana. Every year about 350,000 people ski or snowboard at Big Mountain. Recently Big Mountain Resort installed an additional chair lift to help increase the distribution of visitors across the mountain. This additional chair increased their operating costs by $1,540,000 this season. They are considering several changes that they hope will either cut costs without undermining the ticket price or will support an even higher ticket price. I recommend that we permanently close one of the least used runs and we replace it by adding a new run that will add an additional 150ft to the vertical drop.

I recommend permanently closing the least used run. This would lower our operating cost and it would not undermine the current ticket price. Closing two runs would reduce support for your ticket price and so revenue by .41%. Closing 3-5 runs would reduce support for your ticket price and so revenue by .67%. Closing 6-10 runs would reduce support for your ticket price and so revenue by 1.26-1.81%.

I also recommend replacing the least used run with a new run that would add an additional 150ft to the vertical drop. Yes, this would require installing another lift to bring the skiers back up the mountain, but the tradeoff is worth it. This new run and lift would justify increasing the ticket price by $1.99. Over the season, this could be expected to amount to a revenue increase of $3,474,638. This would be feasible without any additional snow coverage because the model says the additional snow coverage would make no difference.

In conclusion, I recommend that we permanently close the least used run and replace it with a new run that would add an additional 150ft to the vertical drop. The operating costs being saved from the closure of the least used run could be transferred over to the new run and this action would not undermine the current ticket price. The new run along with its new lift to bring the skiers back up would justify increasing the ticket price by $1.99 which, over the season, this could be expected to amount to an increase in the revenue by $3,474, 638.