

Big Mountain Resort



Background and Problem Identification

- New Chair Lift introduces additional operating costs
 - \$1,540,000 additional cost this season
- True ticket value is unknown
 - May be undercharging
- True feature value is unknown
 - Uncertainty about the effect of future investments
 - Uncertainty about the effect of cost reducing actions



Problem Statement

Big Mountain Resort needs to:

- Identify an appropriate ticket price
- Identify the most valuable features of the resort
- Determine how to pay for the new chair lift by either increasing earnings or decreasing costs



Recommendations

Based on analysis of the data, Big Mountain Resort should:

1. Increase Adult Weekend ticket price from \$81.00 to \$95.87
2. Add one run
3. Increase the vertical drop by 150 feet
4. Install one additional chair lift

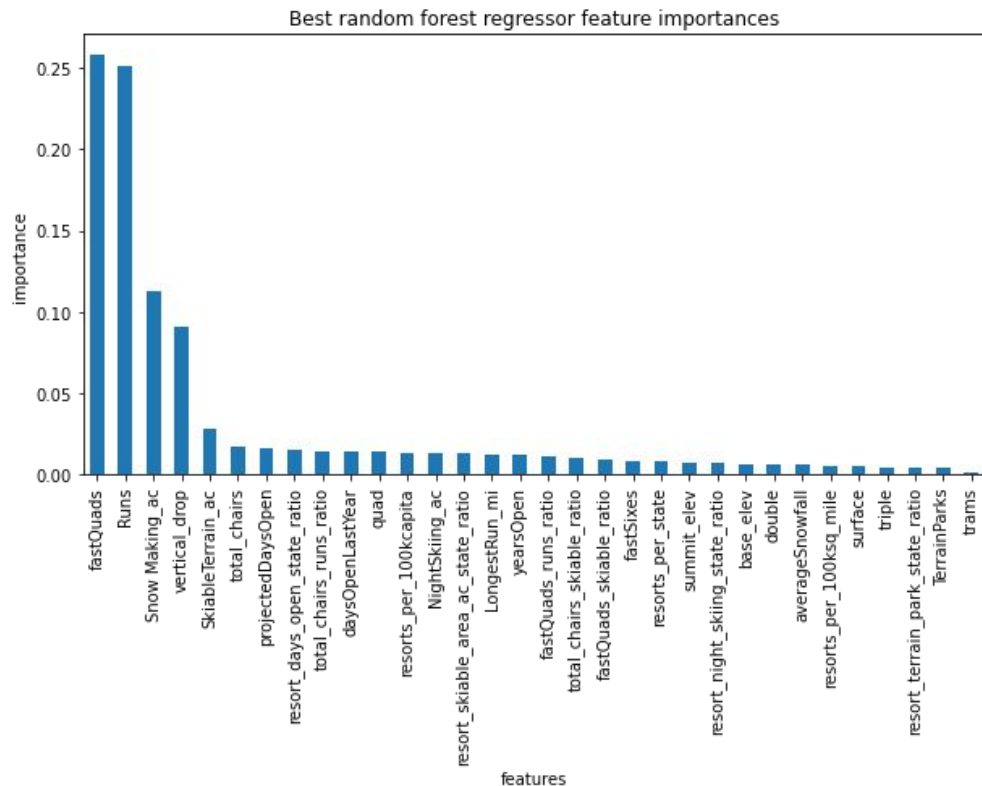


Key Resort Features Affecting Ticket Price

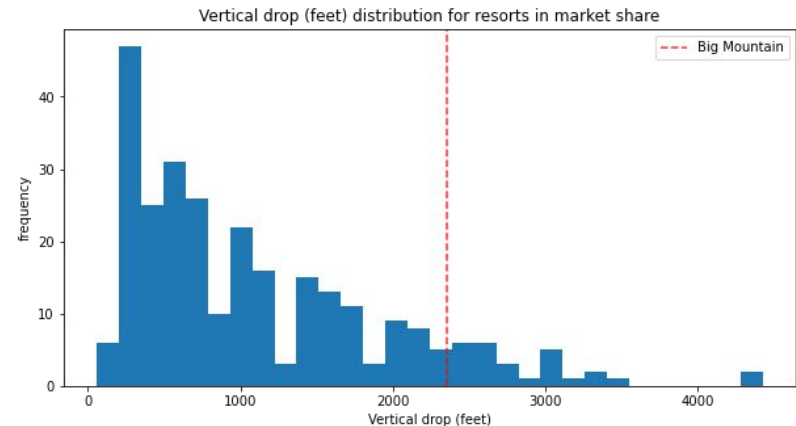
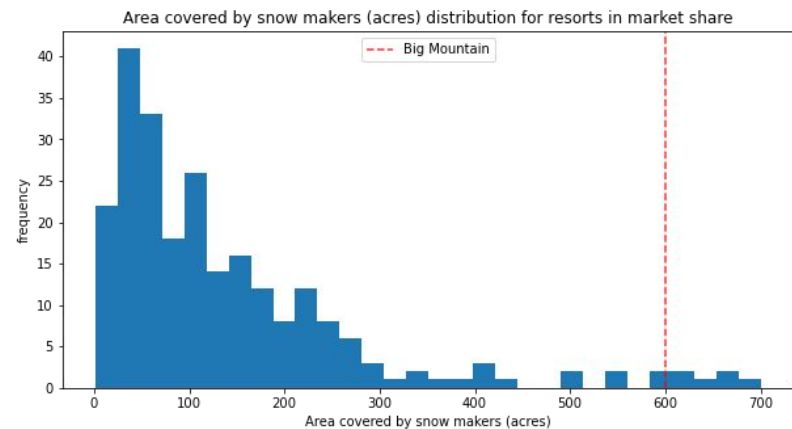
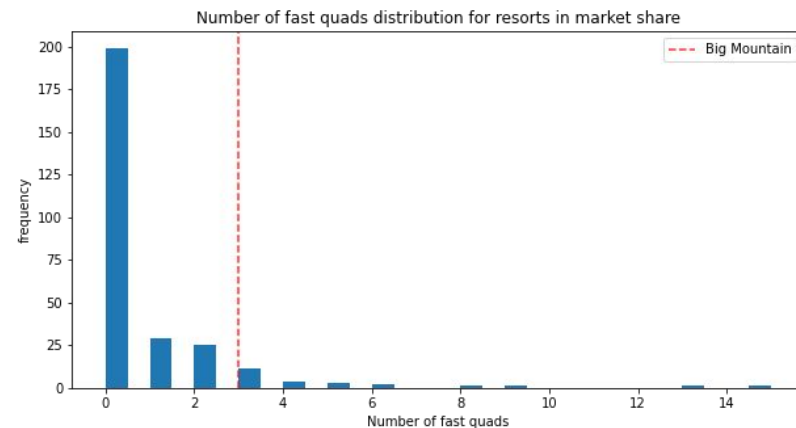
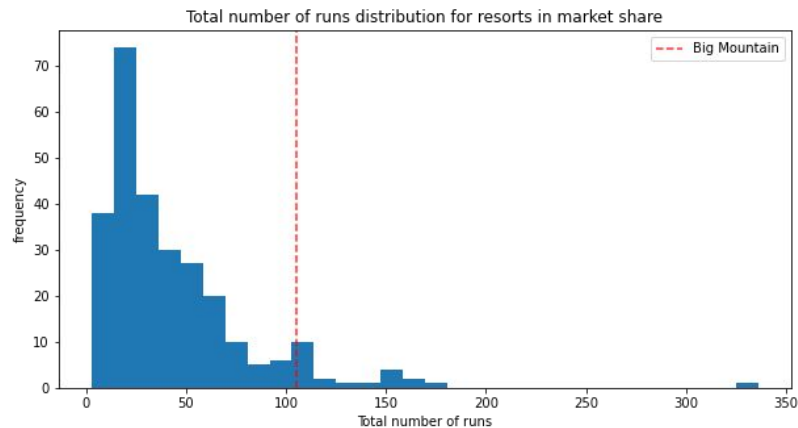
Data analysis identifies 4 key features

- Number of Fast Quads
- Number of Runs
- Snow Making Area
- Vertical Drop

The remaining features have a much smaller effect on the value of a ticket



Big Mountain Resort vs Competitors



Ticket Price Analysis

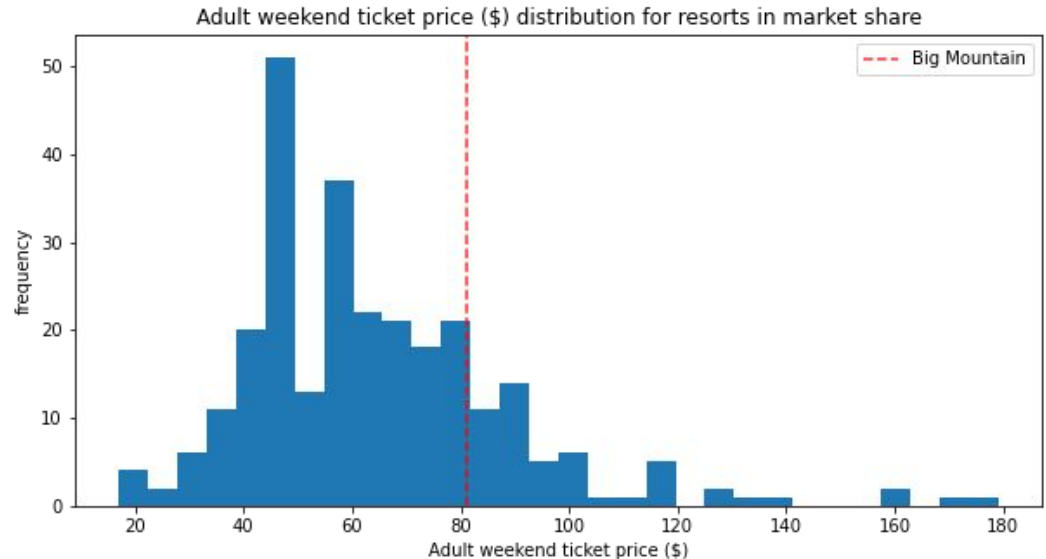
Big Mountain Resort's estimated ticket value based on its key features is \$95.87

- A ticket price of \$95.87 is reasonable based on the distribution of all resort ticket prices
- Greater than \$14 increase from the current price of a ticket (\$81.00 as shown below)

Assuming 350,000 visitors purchase 5 tickets each season

**Additional Earnings =
\$26,022,500 per season**

This increase in ticket price would easily absorb the operational costs of the new chair lift (\$1,540,000 per season)



Future Investments

Additional ways to increase ticket value:

1. Add one run
2. Increase vertical drop by 150 feet
3. Add one chair lift



Together, these additions will increase the ticket price by \$1.99

Additional Earnings = \$3,482,500 per season

Summary and Conclusion

Big Mountain Resort is currently undervaluing ticket prices.

Through an appropriate increase in ticket prices, Big Mountain Resort can generate an additional \$26 million in revenue each season

When making future investments, Big Mountain should focus on the most important features (Runs, Vertical Drop, Fast Quads, and Snow Making Area)

As an example, Big Mountain Resort stands to make approximately \$3.5 million more each season if slight improvements are made to 3 of the 4 key features

