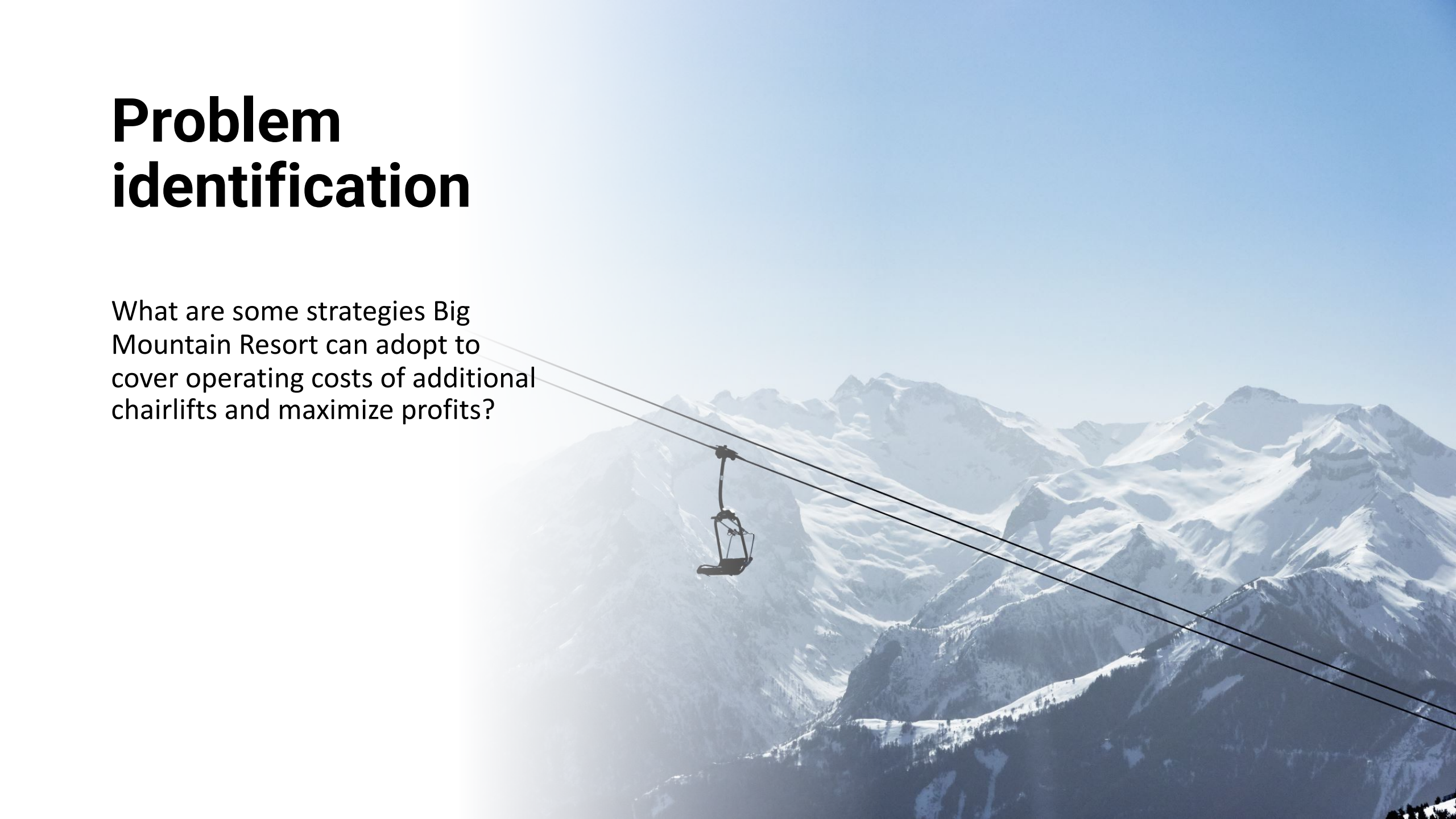
Problem identification

Big Mountain Resort offers:									
105 trails	350,000 annual visitors	All levels and abilities of riders and skiers	Lifts (11)	T-bars (2)	Magic carpet (1)	Hellfire run (3.3 miles long)	Base elevation (4,464 ft)	Summit (6,817 ft)	Vertical drop (2,353 ft)

Increased operating cost of $1,540,000 this season (installed chairlift)

Problem identification

What are some strategies Big Mountain Resort can adopt to cover operating costs of additional chairlifts and maximize profits?



Business Scenarios

1. Close down up to 10 of the least used runs

2. Install an additional chairlift without additional snow making coverage to bring skiers back up after a 150-foot vertical drop

3. Add snow-making cover of 2 acres to scenario 2

4. Increase the longest (Hellfire) run by 0.2 miles
    1. extends 3.5 miles length
    2. requires additional snow making coverage of 4 acres

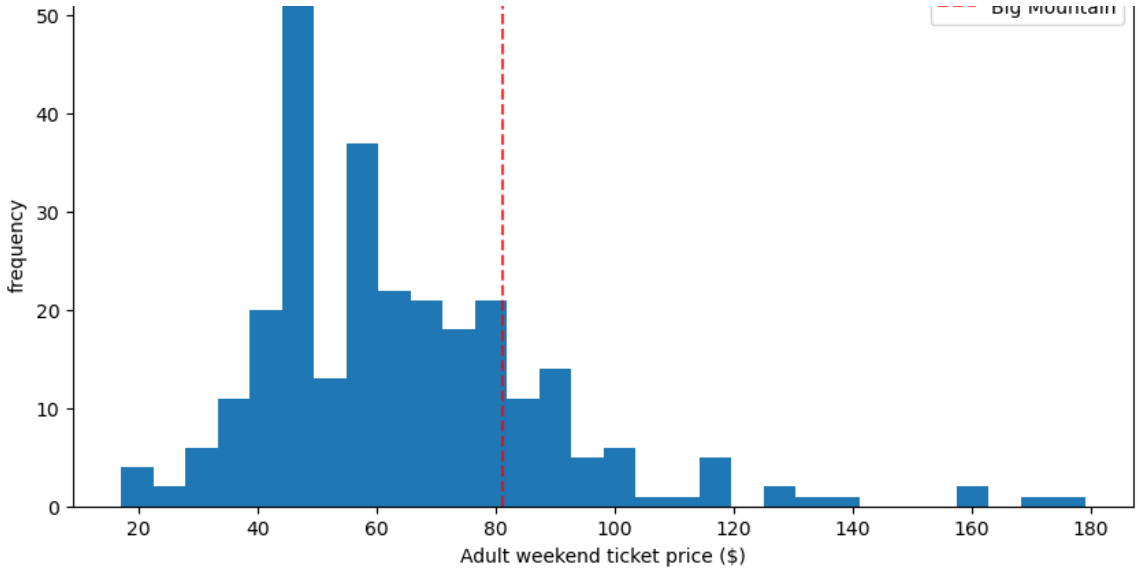
Recommendations and key findings

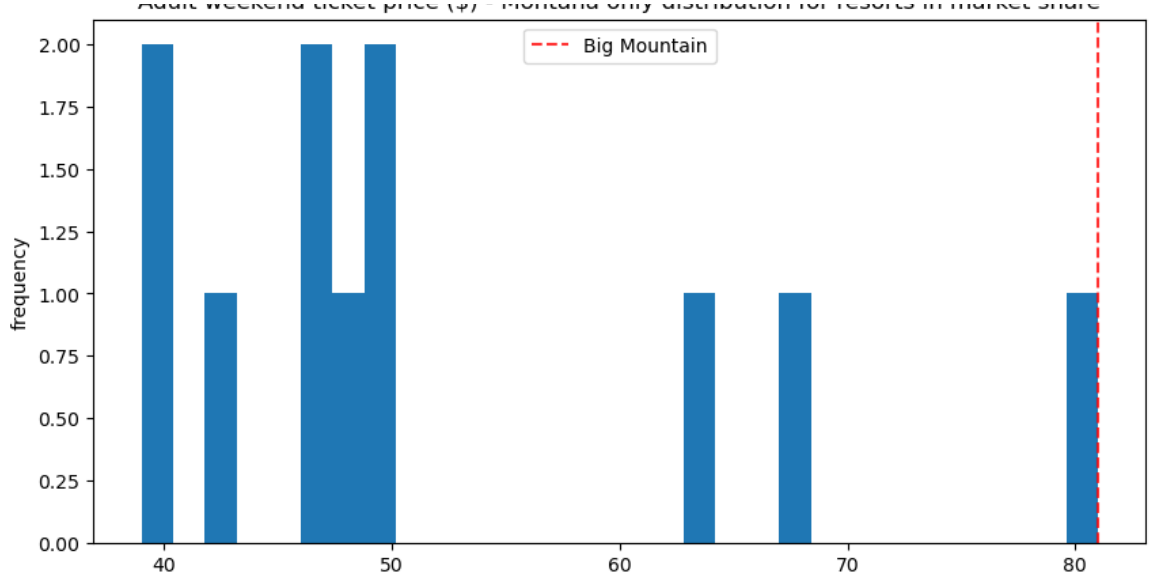
1. Add 150 ft vertical drop and chairlift (scenario #2)
   - Increase ticket price to $90.52
   - Seasonal profit = $15,791,667

2. Close down 5 least-used runs (scenario #1)
   - Low maintenance cost
   - Low operating cost

Ticket price

- Big Mountain ticket price highest in Montana
- Big Mountain ticket price is in the mid-range nationwide

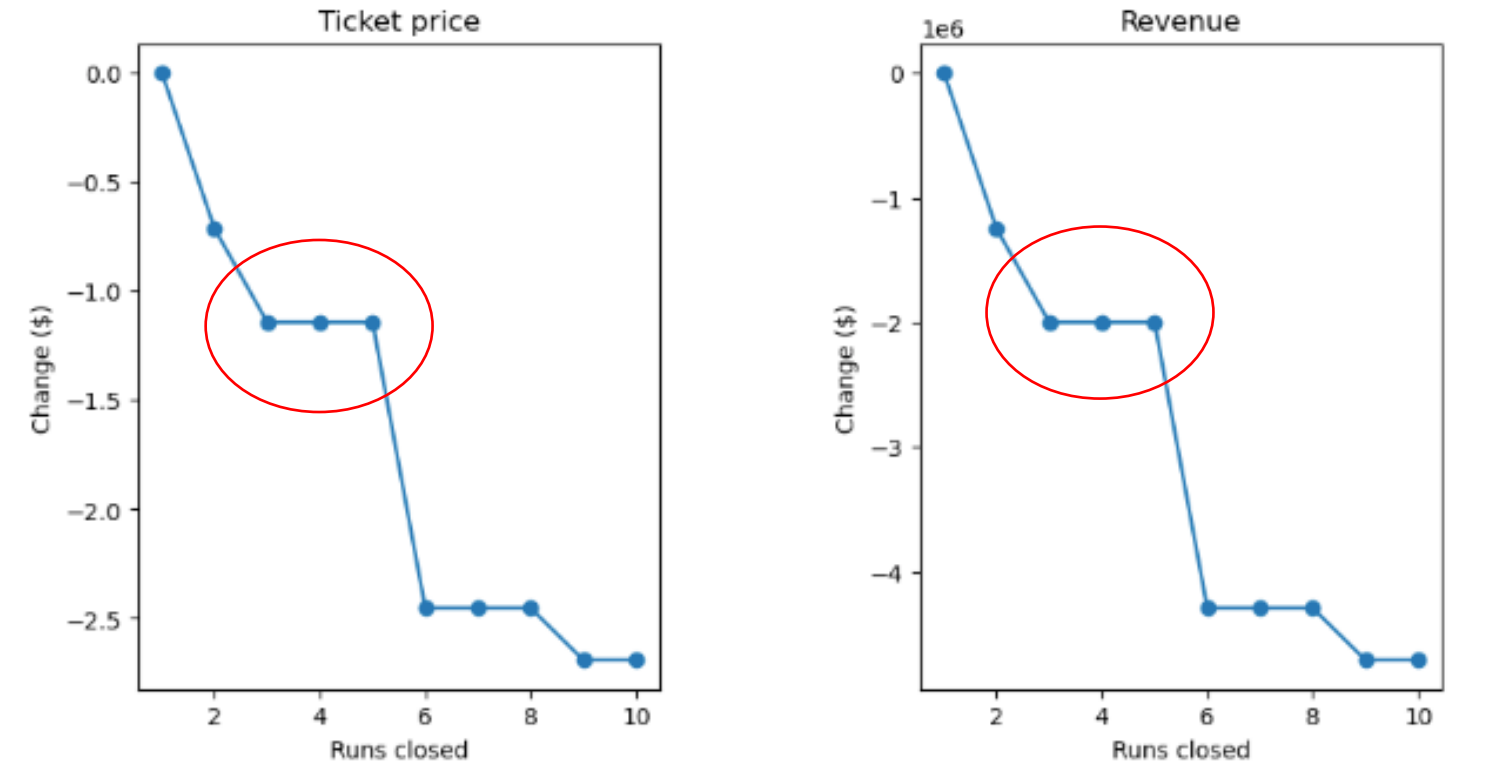




Modeling results and analysis

Scenario 1

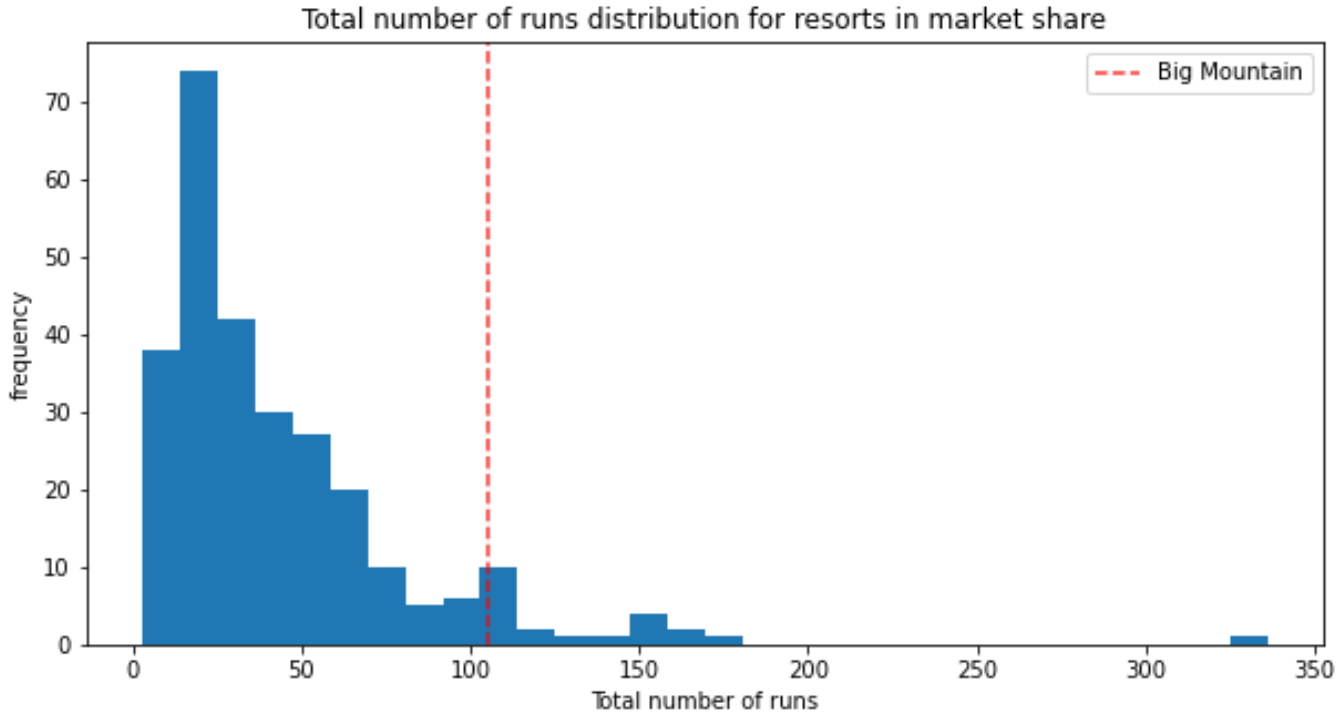
- Closing 2-6 runs reduces Ticket price and Revenue similarly
- Significant drop in price when closures reach 6 or more



Modeling results and analysis

Scenario 2: add vertical run

- Ticket prices increase by **$9.02** if added:
  - Run
  - Vertical drop of 150 ft
  - Additional chairlift
- Revenue over the season = $15,791,667
- Calculations are based on visitors purchasing five-day tickets



Summary and conclusion

- Scenario 2: add vertical run
- New ticket price = $90.52
- Potential seasonal profit = $15,791,667
- Attracts more customers