A Case Study on Ticket Pricing

For Big Mountain Resort, Montana

Context and Motivation

- Big Mountain Resort may not be capitalizing on its facilities as much as it could
- Operational Cost Increase: $1,540,000 this season due to new chairlift
- Current Strategy: charging above the average price of other resorts in the same market segment – limited in efficacy
    - A data driven analysis may quantify the value of the facilities of the resort compared to others
    - It may also identify other approaches that could potentially cut cost without hindering value of tickets

What opportunities exist for Big Mountain Resort to generate at least a $1,540,000 increase in revenue in the upcoming season through better pricing strategy or cost-cutting?

Recommendation and Key Findings

- A ticket price increase of $0.88 would cover the operational cost of $1,540,000 of the new chairlift, assuming 350,000 visitors buying 5 passes each

- Operational cost could also be reduced by closing down least-used runs

- Features most positively correlated with ticket prices are the number of fast quads, runs, acres of snow making, and vertical drop; these features could potentially highlighted in marketing

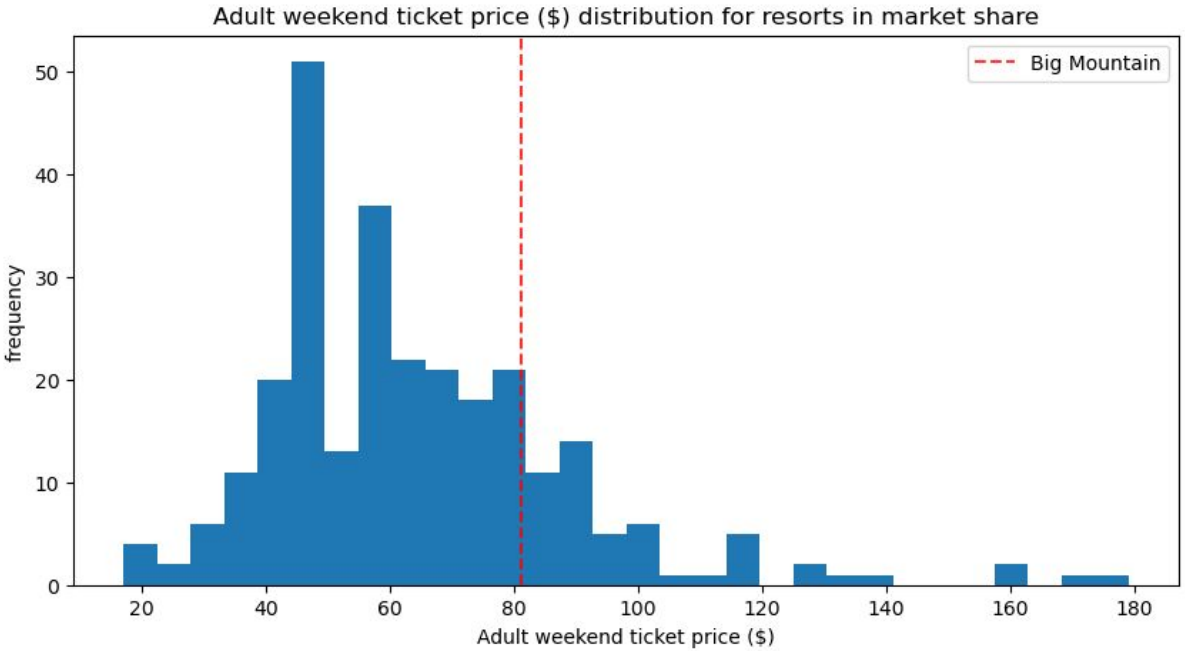
$95.87 (vs. $81)

Modelled ticket price (vs. current ticket price)

*expected mean absolute error of $10.39

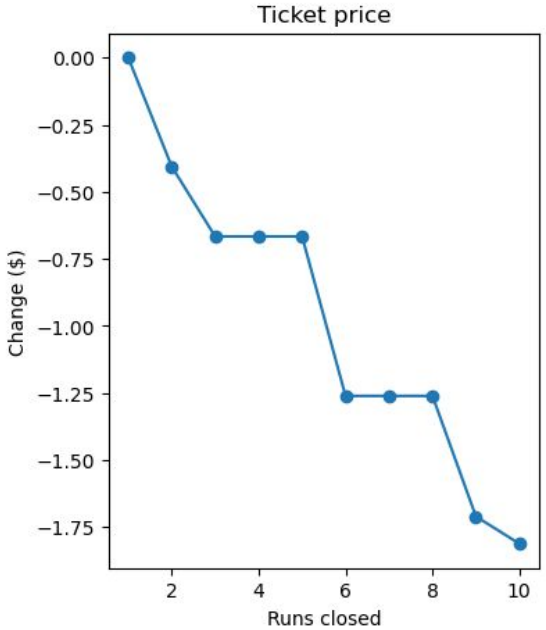
Modelling and Analysis (cont'd)

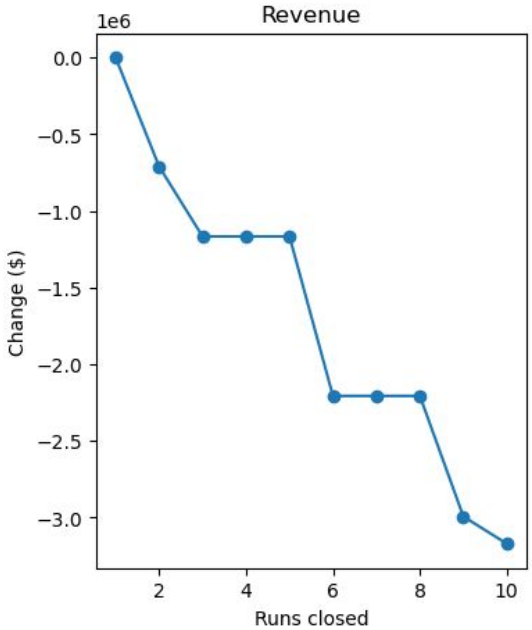
- The current ticket price lean on the higher side across all resorts
- In particular, compared to resorts in its home state of Montana, Big Mountain Resort has the highest ticket price
- Therefore there could be potentially negative impact of a higher ticket price on sales for the next season



Modelling and Analysis (cont'd)

- Effect of closing down up to 10 runs on perceived value of ticket
- The decrease is marginal which indicate potential savings on operational costs
- Should be jointly reviewed with data on operational cost of runs





Modelling and Analysis (cont’d)

Other scenarios leading to marginal return in our model:

- Increase the vertical drop by adding a run to a point 150 feet lower down but requiring the installation of an additional chair lift to bring skiers back up, without additional snow making coverage
- Same as number 2, but adding 2 acres of snow making cover
- Increase the longest run by 0.2 mile to boast 3.5 miles length, requiring an additional snow making coverage of 4 acres

In summary

- The facilities could support an increase in ticket price
- The reduction of runs could cut back on operational costs without significantly reducing ticket value