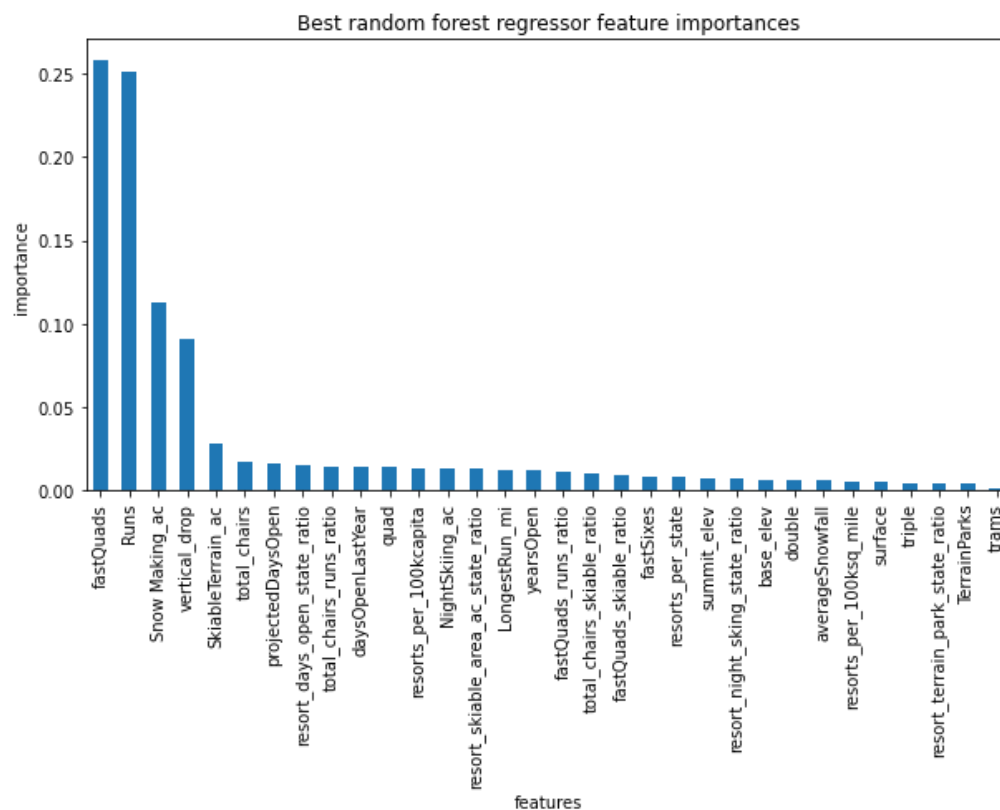


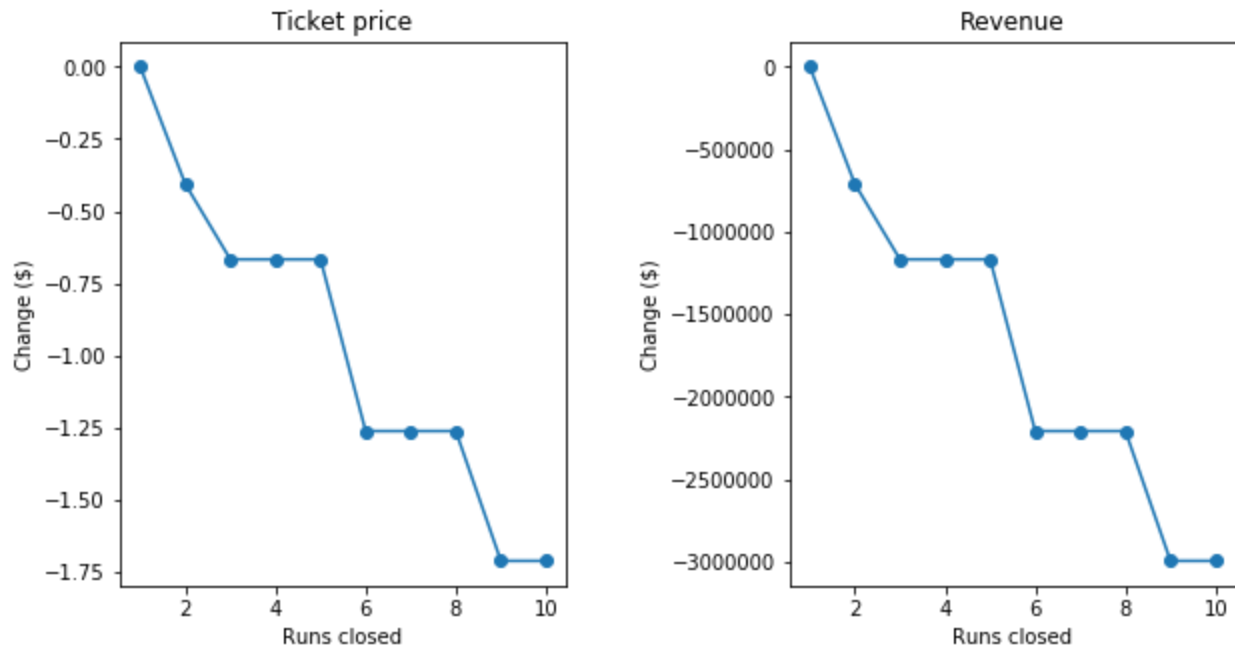
6.6 Summary: Recommendations for Big Mountain Resort

In this report we present the results of our analysis on a dataset obtained from the database manager at Big Mountain Resort located in Montana. The dataset includes numerical information regarding the 32 types of facilities and the corresponding ticket price for 330 resorts located in the United States. Our analysis is anchored to ultimately provide useful recommendations on how Big Mountain Resort can capitalize on its facilities to support a higher ticket price and/or identify a number of changes in Big Mountain's facilities without undermining ticket price.

We find that four facilities out of the 32 types of facilities have significantly higher impact in determining a resort's ticket pricing, as can be seen from the figure below. Big Mountain has shortlisted some options on changing some facilities which includes the change on chair lifts which also has a non-negligible effect on ticket pricing. To ensure Big Mountain's proposal is included in our analysis, we included the first eight facilities that have relatively significant effect on ticket pricing. As one can easily see from figure below, the eight facilities with greatest impact on ticket pricing are: vertical drop, snow making area, total number of chairs, fast quads, Runs, longest run, trams, and skiable terrain area.



Big Mountain Resort is currently considering closing down upto 10 of the least used runs as a possible route to reduce operational costs. We used our developed model to investigate how this might affect the ticket pricing and hence revenue. Change in ticket price and revenue due to closing a number of runs is shown in the figure below.



As can be seen from the figure above we recommend Big Mountain to not close runs greater than 6 as this will affect ticket pricing negatively and reduce revenue significantly. However, Big Mountain could close 1 run without any effect in its ticket pricing and revenue. Closing down 3 runs results in ticket price decrease by \$0.75 corresponding to about \$1.25M decrease in revenue. If the corresponding decrease in operational cost as a result of closing down 3 runs is comparable to the decrease in revenue, our recommendation to Big Mountain is that they could go ahead and close 3 and even 5 runs without affecting ticket price farther.

We also investigated the effect of adding a run, increasing the vertical drop by 150 feet and installing an additional chair lift as proposed by Big Mountain Business personnel. Our analysis using our developed model results in an increase of ticket price by \$1.99 corresponding to increase in revenue of \$3,474,638. Though the required operational cost for Big Mountain is \$1,540,000, we recommend Big Mountain to proceed with this scenario since gain in revenue is over 2 times. However, it must be remembered that our model did not include operational cost for each of the resorts on its development. Hence, there could be a risk in demand decrease if including operational cost would have reduced ticket price.

Other scenarios shortlisted by Big Mountain did not have any significant effect on ticket pricing and hence revenue. For these scenarios, we recommend Big Mountain not to proceed as doing so would be a zero sum exercise.