Big Mountain Pricing Model

Stephanie Jensen

Problem Identification

- Can Big Mountain increase revenue by adjusting this season's pricing model from it's current model (charging a premium above the average in the market segment) to one which better capitalizes on its amenities?
  - Focus on Big Mountain's current amenities, comparing to similar resorts, and figuring out how Big Mountain can capitalize on the amenities.
- Criteria for success
  - ❑Finding ways that cut operating cost without needing to lower ticket price.
  - ❑Finding Big Mountain can charge more due to the amenities they currently have.
  - ❑Finding amenities Big Mountain can add that would allow an increase in ticket price.

Recommendations & Key Findings

- Can Big Mountain raise prices based on current Amenities?
  - Yes
  - Big Mountain can raise ticket prices from $81 to $96.32 +/- $10.41 based on current amenities.
- Can Big Mountain add amenities to support a rise in ticket prices?
  - Yes
  - Increase the vertical drop by adding a run to a point 150 feet lower down and installing an additional chair lift to bring skiers back up.
    - This change supports a ticket increase of $1.99 per ticket and would increase revenue by $3.47 million over a season.
- Can Big Mountain decrease operating cost by cutting obsolete amenities?
  - Maybe
  - One obsolete run can be shut down without loss in ticket value
    - This run cannot be a long run and cannot be one with snow making coverage so depending on upkeep cost, it may or may not be cost effective.

Results & Analyses

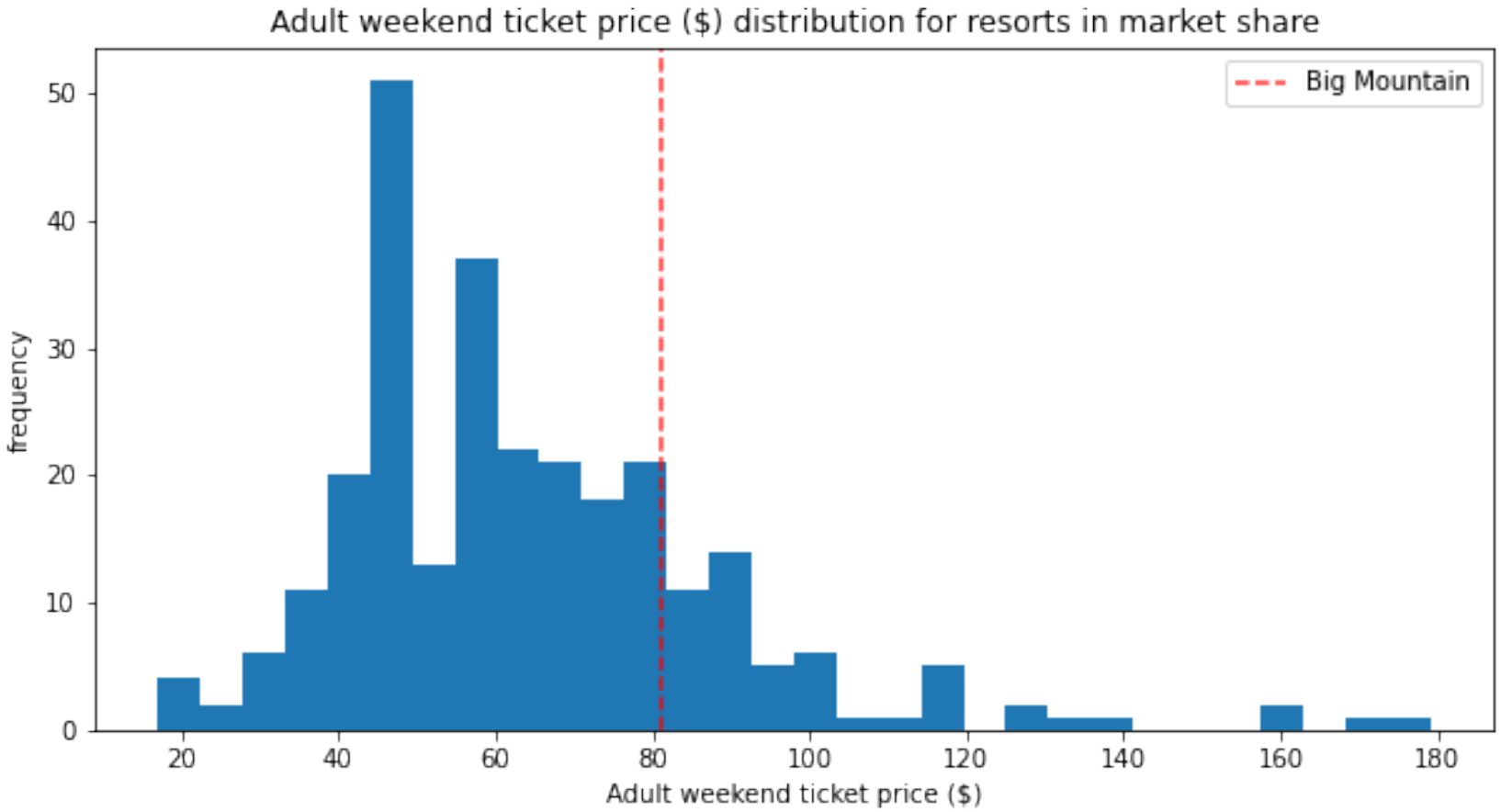
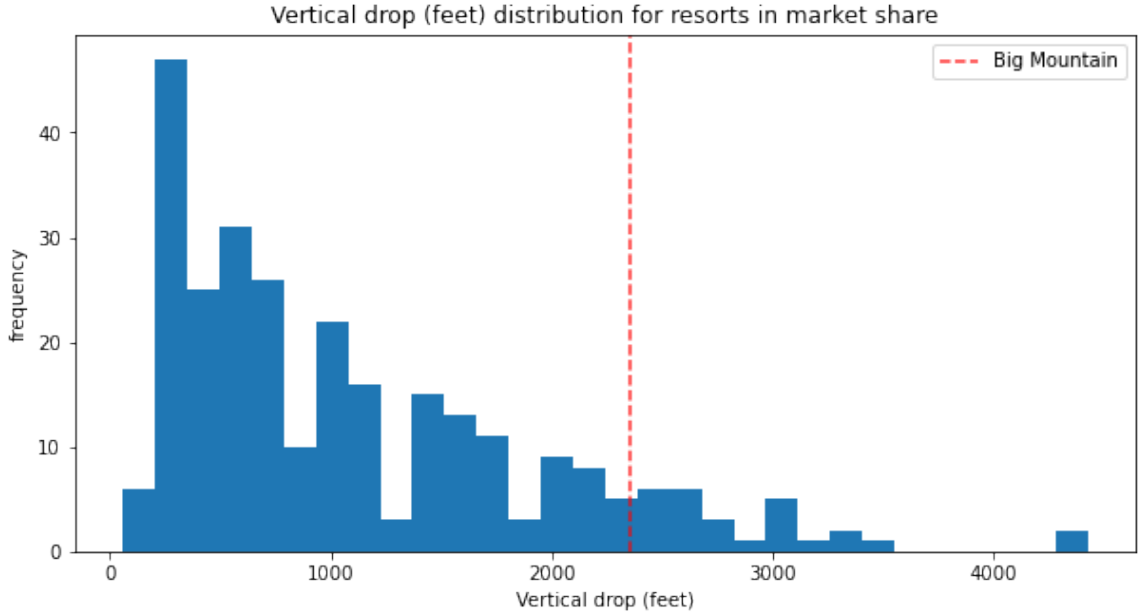
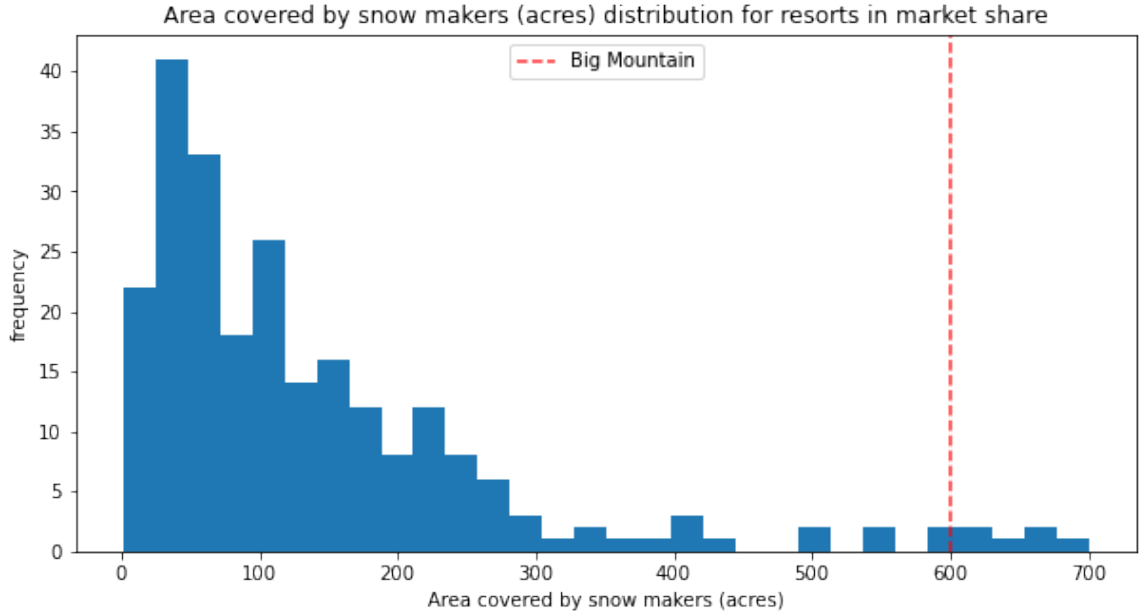
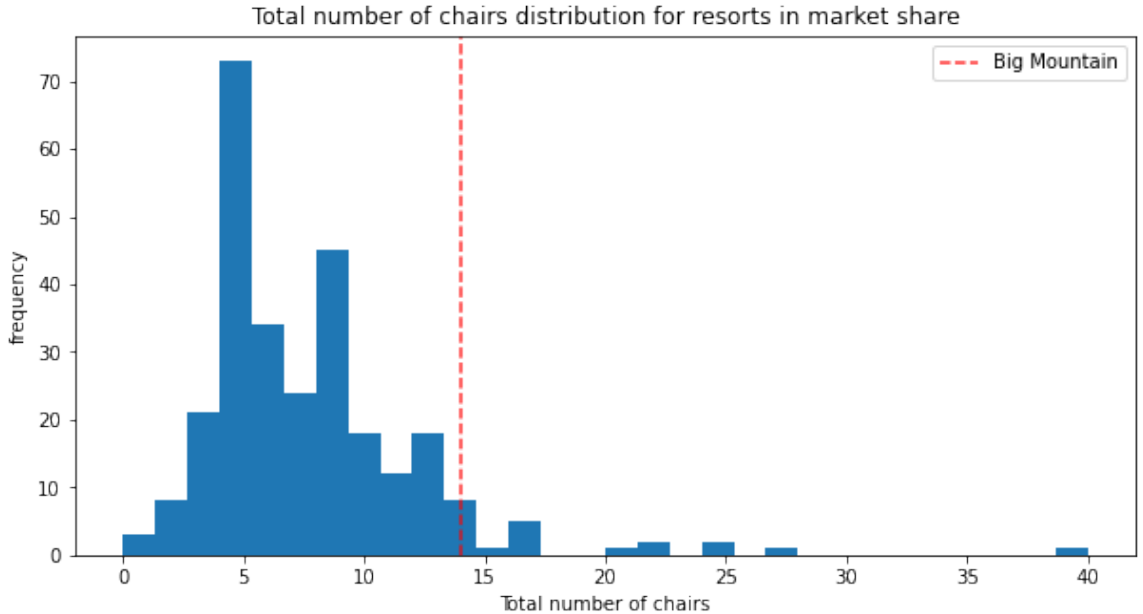


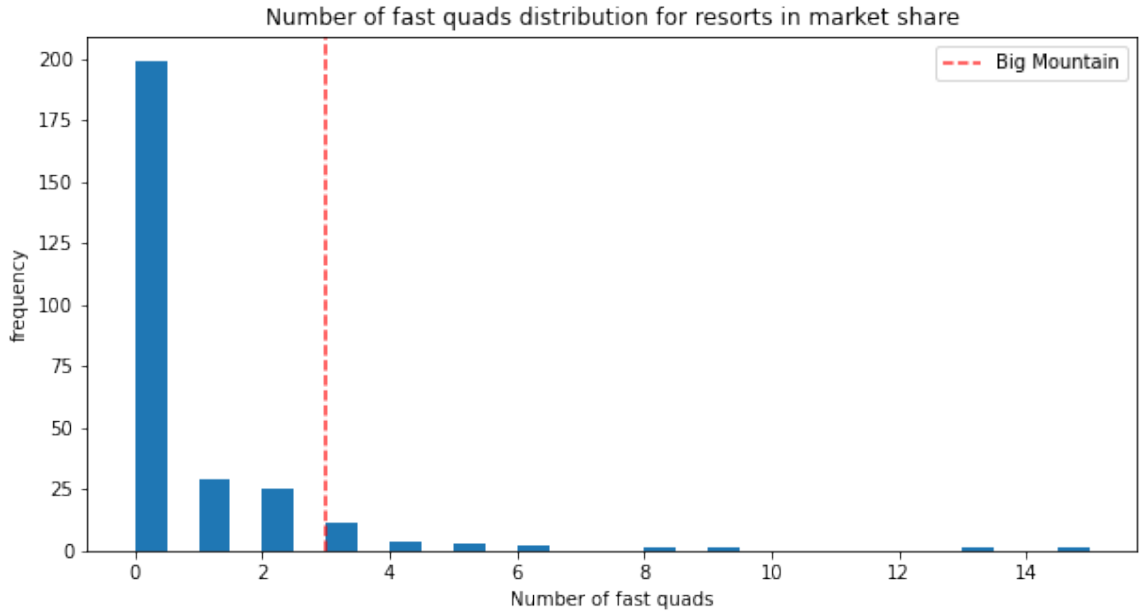
Figure 1: Big Mountain's adult weekend ticket prices (red line) in comparison to other resorts throughout the country.

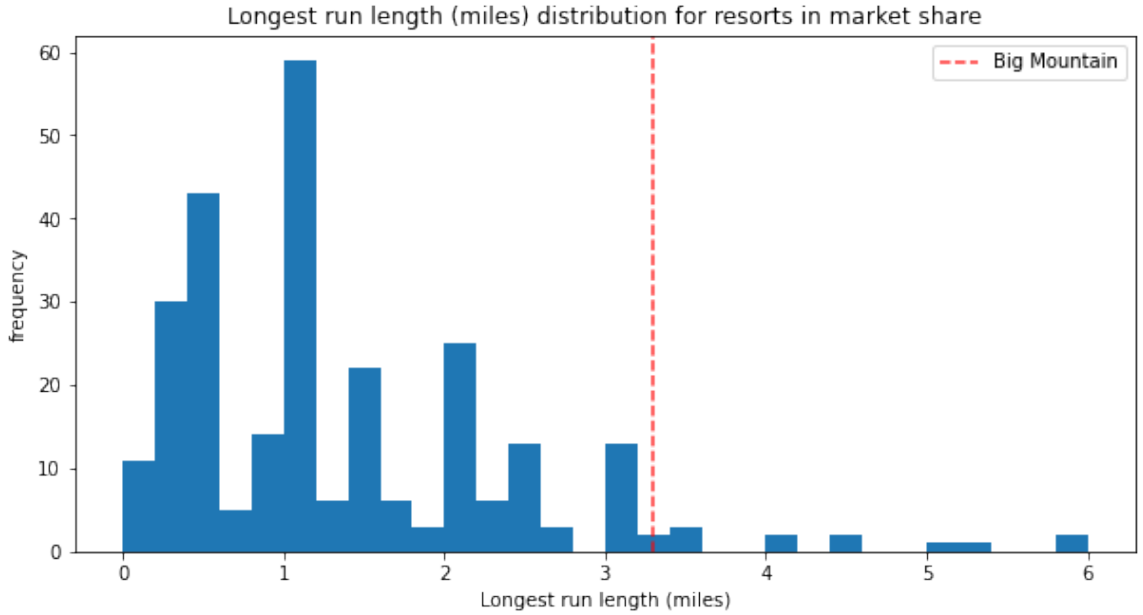
Figure 2: Big Mountain is already at the top of Montana resort prices.

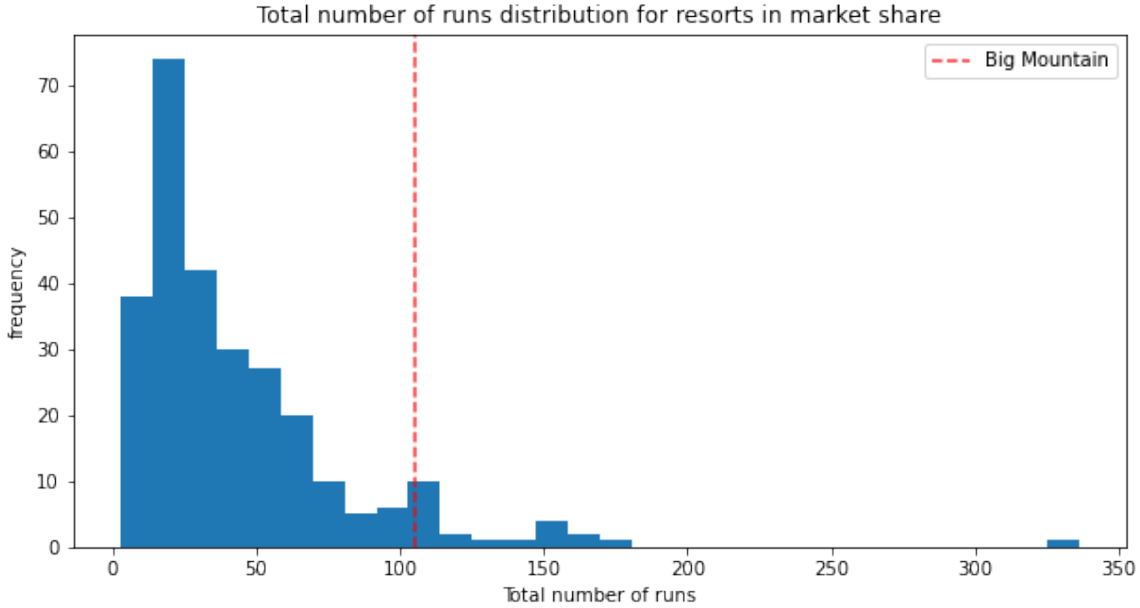

Vertical drop (feet) distribution for resorts in market share
Big Mountain
frequency
Vertical drop (feet)
0
10
20
30
40
0
1000
2000
3000
4000

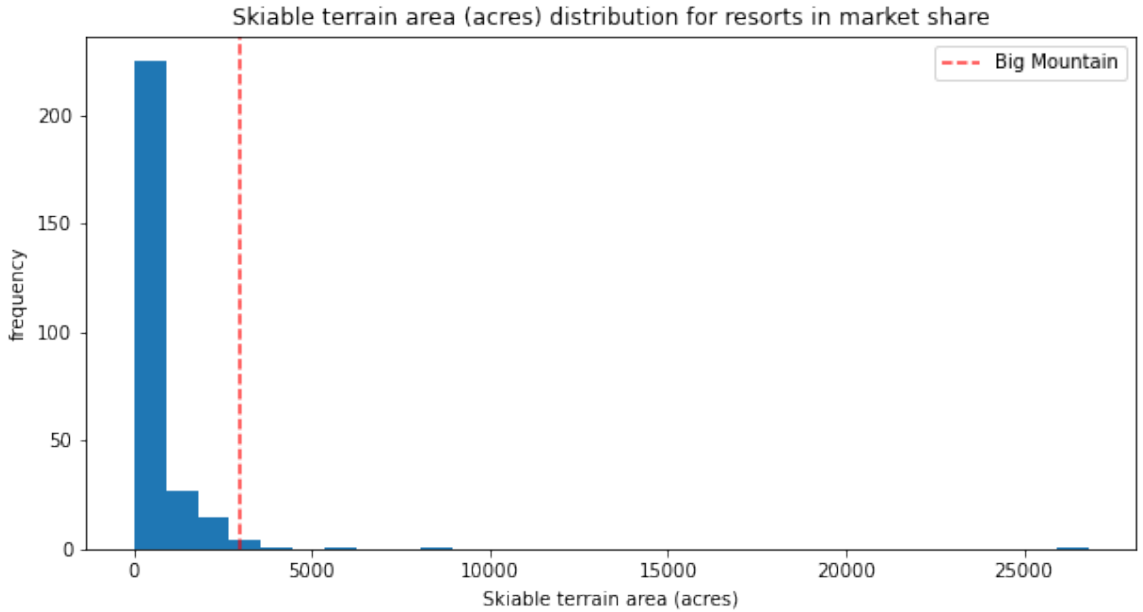

Area covered by snow makers (acres) distribution for resorts in market share
Big Mountain
frequency
Area covered by snow makers (acres)
0
5
10
15
20
25
30
35
40
0
100
200
300
400
500
600
700


Total number of chairs distribution for resorts in market share
Big Mountain
frequency
Total number of chairs
0
10
20
30
40
50
60
70
0
5
10
15
20
25
30
35
40


Number of fast quads distribution for resorts in market share
Big Mountain
frequency
Number of fast quads
0
25
50
75
100
125
150
175
200
0
2
4
6
8
10
12
14







Big Mountain is at or near the top for all the most important amenities (1st slide) and even those “less” important. These amenities are what can drive a ticket price increase assuming the price elasticity will allow for it (taking into account the location).

Further Work

- Data deficiency for visitor data for the parks.
  - Useful if we could see why certain resorts were lower in price which had high skiable terrain, for instance.
- The model suggests a higher ticket price is warranted, but Big Mountain is already the most expensive resort in Montana which is already a sparsely populated state.
  - More data of nearby resorts (South Dakota, Wyoming, Minnesota, Idaho, maybe Northern Colorado) would help in analyzing how much elasticity the ticket price has given the more "rural" market.
  - Other information, such as if Big Mountain is in or by a destination city, could help justify a higher cost.

Summary & Conclusion

- Big Mountain can increase their ticket price based on current amenities. A moderate increase is suggested unless a ticket price elasticity model is considered and confirms are larger increase.
- The main reason Big Mountain modeled so high is the skiable terrain, longest run, number of runs, snow making, and fast quad chairs so any changes to those attributes will have the highest effect on ticket price value.
- Further value can be added by increasing the longest run and adding a chair lift.
- Shutting down more than one run would decrease ticket value and a cost-benefit analysis would be needed top pursue this option.