Increasing Big Mountain’s profits

Problem Identification

Big Mountain wants to ensure it's properly capitalizing on its facilities to get the maximum amount of profit possible, something the current price model is not doing. Given there aren't any external factors out of our control:

Can we develop a new pricing model using the data from other ski resorts to increase profits by around 20% for the upcoming season?

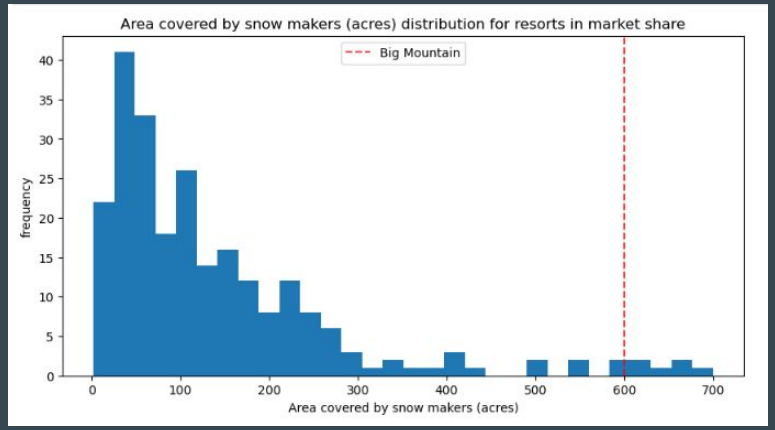
Recommendations

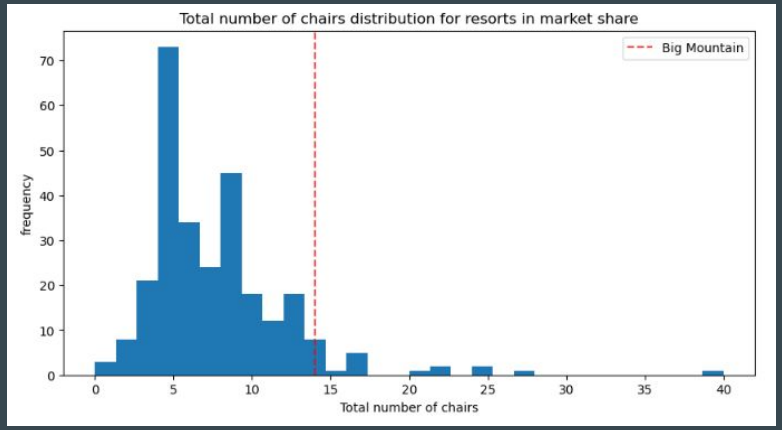
Cut down 5 runs and lifts, decreasing ticket price by $1

Increase vertical drop and add additional chair lift and increase ticket prices by $2

Combination of both to maintain ideal chairs to runs and skiable area ratio for optimal revenue returns

Modeling 1



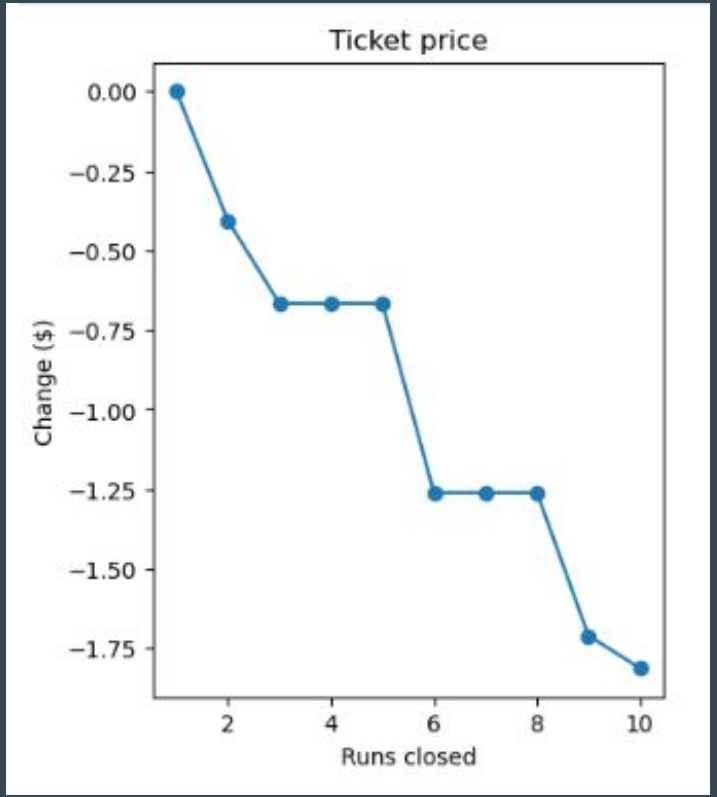


Big Mountain is in the top percentage for snow makers and total number of chairs - adding more acres of snow coverage or additional chairs won't make that big of a difference.

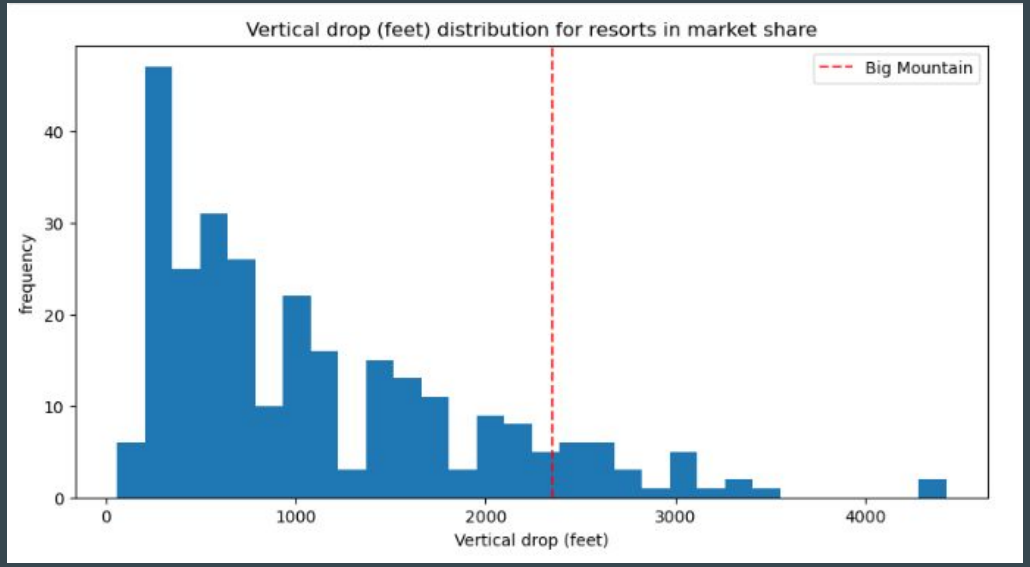
Modeling 2

Up to 5 runs (and their associated lifts) can be closed with only a $1 change in ticket price

Operating costs would decrease by $7.5 million while revenue from tickets would only decrease by $2 million

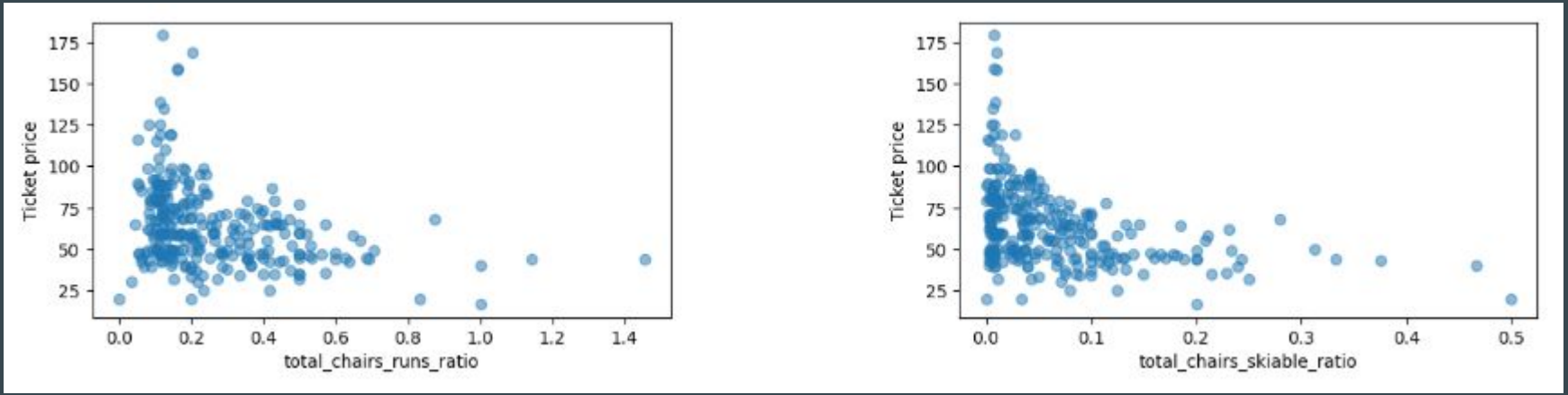


Modeling 3



While Big Mountain boasts a fairly long vertical drop, there are still a decent amount of resorts with a longer drop, so making Big Mountain's drop longer may be beneficial to give it an extra boost

Modeling 4



There is some correlation with the amount of chairs to total runs and skiable area and ticket price - it may be beneficial to combine the two recommendations in order to stay within a certain ratio and avoid diminishing returns

Summary and conclusion

Big Mountain has two main avenues to maximize profits and ensure that it is making the most of its facilities; aiming to remove some of the runs and associated lifts would cut operating costs up to 36% while only losing up to 2% on ticket sales.

To fully maximize profits, it is recommended to also increase the vertical drop and add a lift for the extension - this extension supports a $2 increase in ticket prices, which, when combined with the above solution, actually creates a 2% increase in ticket sale revenue overall while still taking advantage of the decreased operating costs.