OPTIMIZING TICKET PRICING AND OPERATIONAL EFFICIENCY FOR BIG MOUNTAIN RESORT

BIG MOUNTAIN RESORT

PROBLEM IDENTIFICATION

How can Big Mountain Resort increase its profit by at least $2 million next season by adopting a more advanced pricing policy that leverages the resort's key facilities as competitive advantages?

Context:

- Current pricing policy – a premium above its market segment average – doesn't fully leverage the resort's competitive advantages.
- The current adult ticket price is $81 per day
- A new chair lift installed raises operational costs by $1.5 mln this season
- 350,000 visitors annually
- Vertical drop 2.353 ft
- Longest run – 3.3 miles

RECOMMENDATION AND KEY FINDINGS

Key findings:

- Based on the resort's facilities and competitive positioning, the model supports a ticket price of **$96 per day**
- In terms of its most valuable facilities, **the resort holds strong positions** among competitors
- There are scenarios improving financial performance of the Big Mountain Resort

Recommendations:

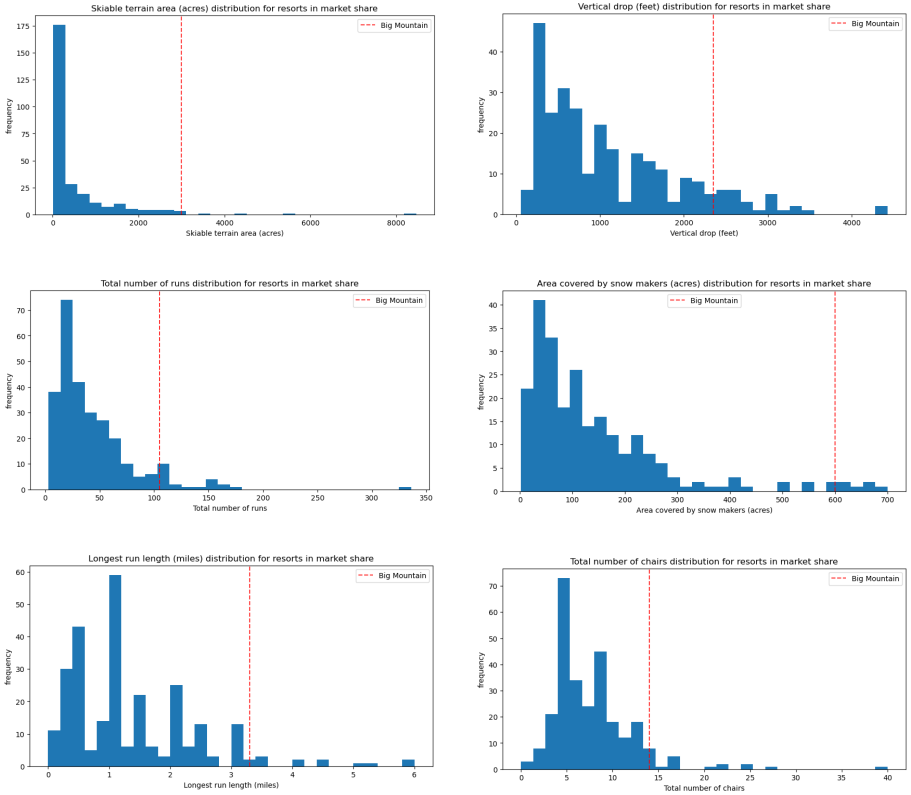
- To implement **a new pricing strategy** reflecting resorts competitive advange in term of available and valuable facilities
- Set the adult ticket price for the next season at least **$85+ per day**
- To **close the one least-used run** to decrease operational costs without effect of revenue
- To implement regular update and review of the developed model

BIG MOUNTAIN RESORT HAS STRONG POSITIONS

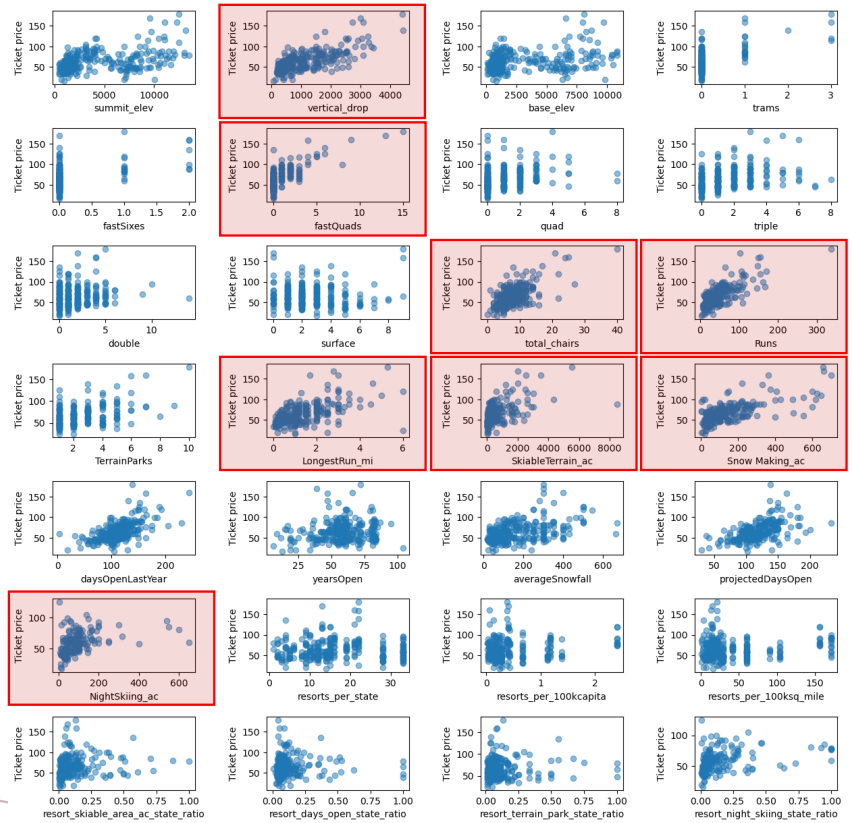
Analysis shows that the key features for ski resorts include:

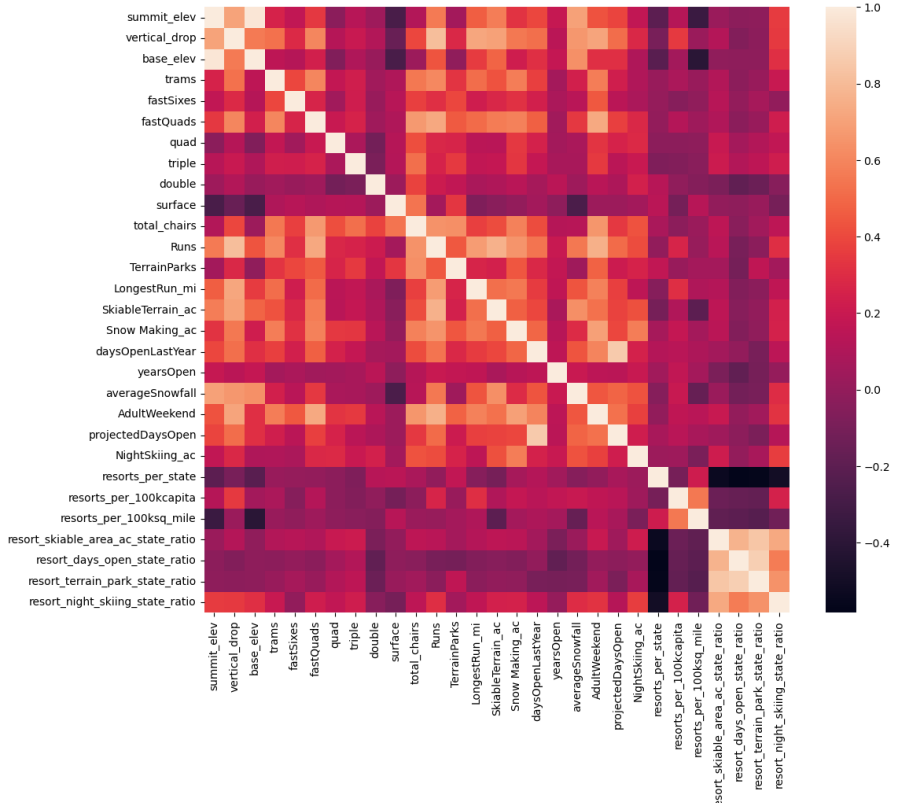
- Total Chairs
- Fast Quads
- Runs
- Vertical Drop
- Longest Run
- Skiable Terrain
- Snowmaking
- Night Skiing

... and **Big Mountain Resort ranks highly in most of them**!



THESE FEATURES ALSO POSITIVELY CORRELATE WITH TICKET PRICE



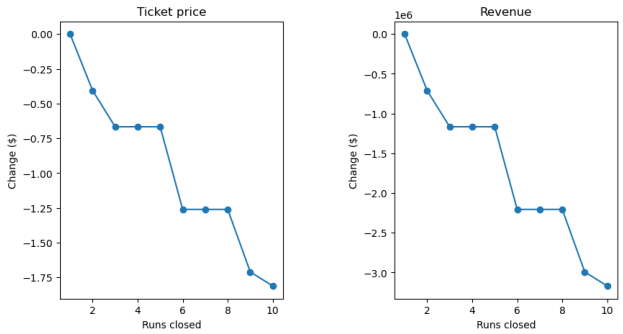


BIG MOUNTAIN RESORT HAS ROOM TO RAISE TICKET PRICES

- Current adult ticket price - $81 per day
- Considering Big Mountains Resort's positions **ticket price that could be supported by its facilities is $95.87 per day**
- For comparison new chair lift generates an additional cost of $0.88 per ticket

CLOSING ONE LEAST-USED RUN – THE MOST VIABLE SCENARIO

Evaluated scenarios:	Modelling results:
Closing up to 10 least-used runs	Closing one run has no effect on revenue, but will save costs
Increasing the vertical drop by adding a run 150 ft lower	Revenue increases by $3.5 mln, but this effect has to be matched with the required investments and operational costs.
Scenario 2 + adding 2 acres of snow making	It has no effect on revenue
Increasing the Longest run by 0.2 mi	It has no effect on revenue



SUMMARY AND CONCLUSION

- Big Mountain Resort's competitive position is strong.
- The resort has room to raise ticket prices significantly, with the modelled price at $95.87 per day.
- This price increase can cover the additional operational cost of the new chair lift, which is $0.88 per ticket.
- Scenario analysis shows the resort can close one least-used run, saving costs without impacting revenue.
- Scenario 2 offers a significant positive effect on revenue, but investments and operational costs need further evaluation.
- The proposed prediction model has proven effective and has potential for further development.