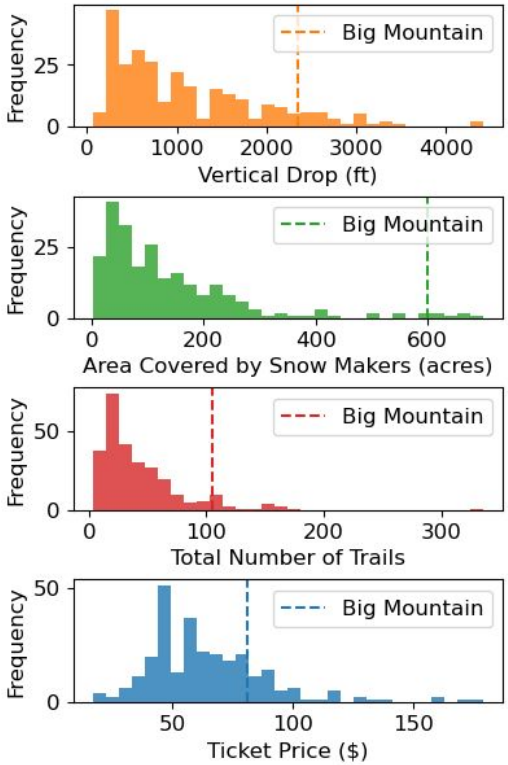
Big Mountain Resort Underpriced: Increase Price to $96

Andy Vong

Big Mountain Resort Remains Ahead of Competition; Tickets Underpriced for Market Position

- Big Mountain offers views of Glacier National Park and Flathead National Forest, with access to 105 trails.
- Trails are serviced by 11 lifts, 2 T-bars, and 1 magic carpet for novice skiers. The longest run is named Hellfire and is 3.3 miles in length. The resort also offers a vertical drop of 2,353 ft.



Operating Costs Expected to Increase by $1,540,000

- A recently installed chair lift will increase operating costs for upcoming season by $1.54 M

- **Recommend increasing ticket price!**

Pricing Model Suggests $96 Ticket Price

- Up from $81 per ticket for last season
- Used ticket prices of 276 ski resorts across the US
- Modeled using random forest regression
  - Better at handling edge cases
  - Found vertical drop, total number of trails, number of fast quad chair lifts, and total acreage of snow making positively correlate with ticket price
- **Revenue to increase by $26.25 M and profit to increase by $24.71 M**
  - Assuming 350,000 visitors and that visitors ski, on average, for 5 days

Model Also Provides Guidance for Key Business Scenarios

Scenario 1: Permanently closing down up to 10 of the least used trails. This doesn't impact any other resort statistics.

Scenario 2: 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

Scenario 3: Same as number 2, but adding 2 acres of snow making cover

Scenario 4: Increase the longest run by 0.2 mile to boast 3.5 miles length, requiring an additional snow making coverage of 4 acres

Recommend Exploring Scenarios 1 & 2

Scenario 1: Options to consider are (a) closing 1 trial without lowering ticket price, (b) closing 5 trails and reducing ticket price by $0.66, (c) closing 8 trails and reducing ticket price by $1.26, or (d) closing 10 trails and reducing ticket price by $1.81. **I recommend closing at least 1 trail, but need to explore the effect of trail closure on operating costs.**

Scenario 2: Changes would justify an increase in ticket price by $1.99. **I recommend scenario 2 be further explored.**

Scenario 3: The additional 2 acres of snow making cover does not justify an increase in ticket price over scenario 2. **Scenario 3 is not recommended.**

Scenario 4: These changes do not justify an increase in ticket price. **Scenario 4 is not recommended.**

Summary

- Big Mountain Resort is underpricing its facilities relative to the market
- Recent additions will increase operating cost by $1.54 M for upcoming season
- Pricing model was developed using resorts in same market segment
- **Model suggests increasing ticket price to $96 up from $81**
  - Revenue to increase by $26.25 M and profit to increase by $24.71 M
  - Should pricing changes be implemented, recommend A/B testing to validate
- Model also recommends exploring scenarios 1 and 2