CONTEXT

Big Mountain Resort, located in Montana, is a ski resort offering spectacular views of Glacier National Park and Flathead National Forest, with access to 105 trails. Roughly 350,000 people ski or snowboard at Big Mountain annually. The resort can accommodate skiers and riders of all levels and abilities. Riders are serviced by 11 lifts, 2 T-bars, and 1 magic carpet for novice skiers. The longest run, “Hellfire,” is 3.3 miles in length. Base elevation is 4,464 ft, and the summit is 6,817 ft with a vertical drop of 2,353 ft. Currently, Big Mountain Resort’s pricing strategy is based on market average.

CRITERIA FOR SUCCESS

Big Mountain Resort must increase profit margin this season through some combination of a) reducing costs and/or b) increasing ticket prices such that it can, at a minimum, cover the increased operating cost of $1,540,000 this season from its new chair lift.

MODELING INSIGHTS

Business leadership has shortlisted 4 potential scenarios for cutting costs or increasing revenue (from ticket prices.) We modeled those scenarios based on an estimated 350,000 visitors for the season that buy tickets for five days of skiing to determine their effect on ticket price. Of these potential scenarios, increasing the vertical drop 150 feet, adding a run, and installing an additional chairlift are the most cost effective ways to support increasing ticket prices. An extra $1.99 per ticket over the season would amount to an additional $3,474638 in revenue. Adding extra snow making capacity to accommodate this run does not support a higher ticket price. Additionally, increasing the longest run by .2 miles and adding snow covering does not support any increase in ticket price. BMR could also close one run with no decrease in ticket price required.

Big Mountain Resort currently charges $81 for a ticket. Our model suggests Big Mountain’s facilities could support a ticket price of $95.87. Even taking into account our mean absolute error of $10.39, we could comfortably raise ticket prices to $85.48, at a minimum, before expecting any pushback from customers.

RECOMMENDATIONS

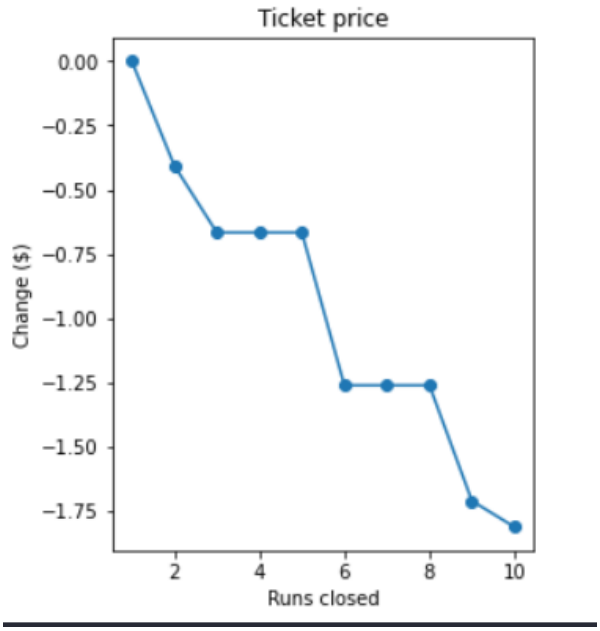
1. Raise ticket prices by enough to cover, at a minimum, the $1,540,000 operating cost of the recently installed chairlift. At an estimated 350,000 visitors over the season skiing 5 days each, this would require only a $0.88 increase in ticket price from $81.00 to $81.88.
2. Increase ticket prices to the threshold the market would bear before it becomes price sensitive. With the mean absolute error considered, this would be $85.48 per ticket. A $4.48 increase in ticket price for 350,000 visitors skiing 5 days this season would be $7,840,000 in additional revenue the resort could capture before considering any additional scenarios that would cost money! This suggests BMR could comfortably

generate a significant amount of additional revenue without adding ANY additional features to the resort.

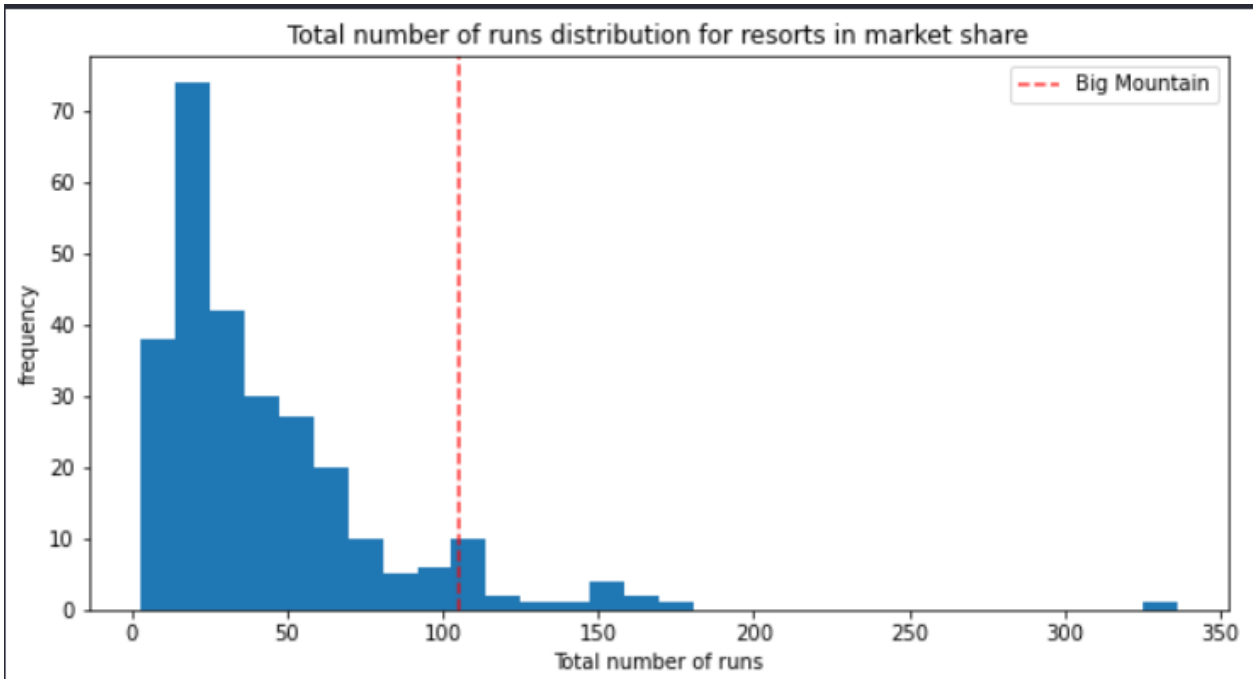
3. Close one run as this would save money on operating costs but not affect what the resort could charge for a ticket price.

I do not recommend any other improvements as they are beyond the scope of both this project and our criteria for success. However, if the resort did wish to consider profitable improvements in the future, the resort would want to focus on creating a new run and installing a chairlift as our model predicts this scenario would offer the most value, supporting a ticket price increase of $1.99. There is also room for further ticket price increases.

In conclusion, the simplest and most cost effective solution seems to be the best for Big Mountain Resort. Fairly pricing tickets and closing one run is all that is required to comfortably cover the cost of the new chairlift!



Closing one run makes no difference



Big Mountain Resort is top-of-class for runs offered!