Big Mountain Resort

Problem Statement

How can Big Mountain Resort 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?

Resort Background

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.

Current Pricing Strategy

- Charges a premium above average price of resorts in its market segment.

- Pricing strategy is arbitrary and not data-driven!

- How can we select a better value for ticket price?

Modeling Insights

· Increasing vertical drop, adding a run, and installing an additional chairlift? Supports $1.99 increase.

· Adding snowmaking to this? No increase.

· Increasing longest run and adding snow cover? No increase.

· Closing runs? Affects ticket price after closing one.
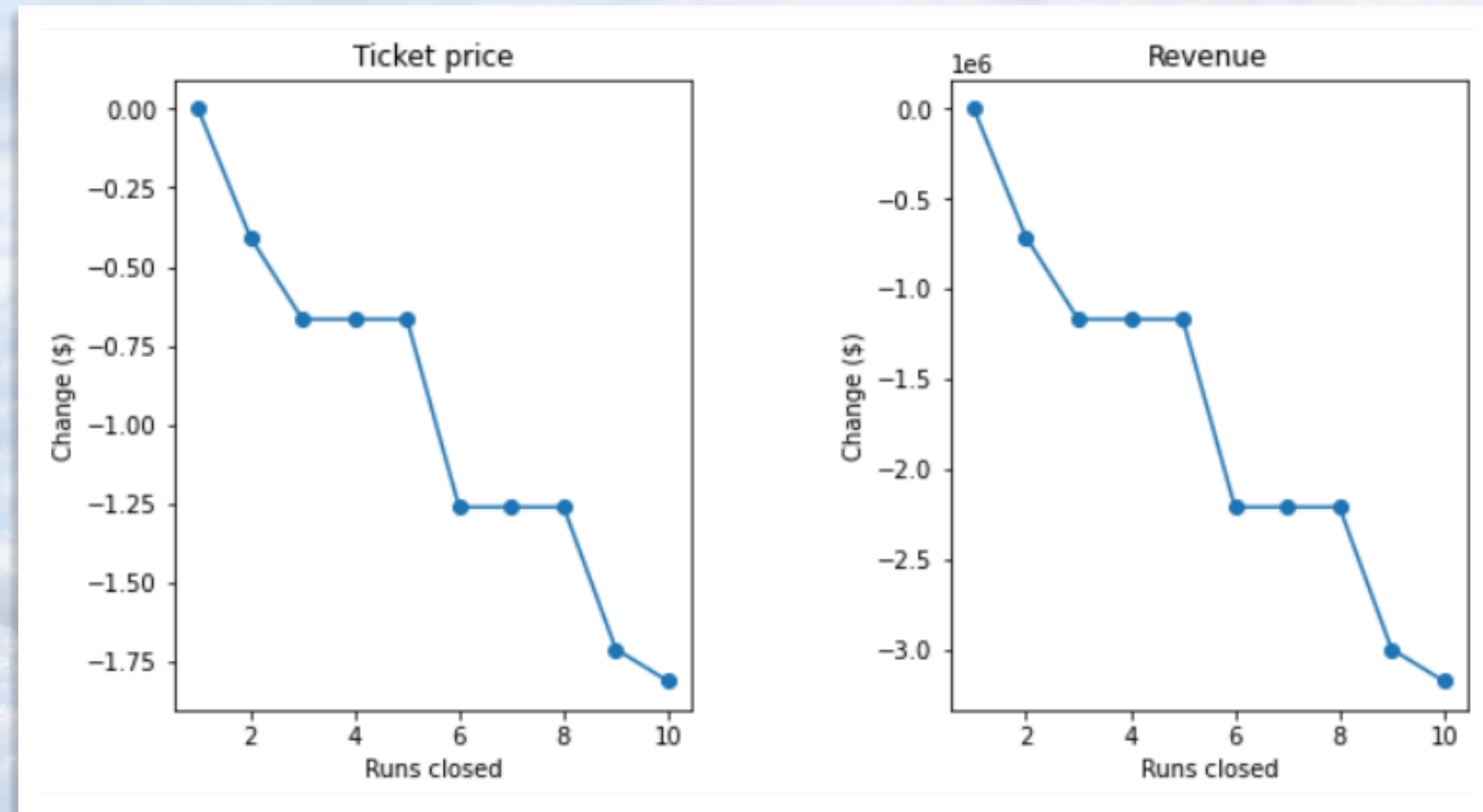
But, what about *just* ticket prices? Are we currently pricing appropriately?...

Modeling Insights

- Current ticket price: $81

- Max ticket price suggested by model: $95.87

- When considering error?: $85.48

Takeaway

Our ticket price is too low! We can increase by a minimum of $4.48 or, potentially, a maximum of $14.87!

Recommendations

- Increase ticket prices enough to cover operating cost: $81.88 (+$1,540,000)

- Increase ticket prices to level of price sensitivity: $85.48 (+$7,840,000)

- Close one run (it doesn't negatively affect ticket price!)

- Optional: Consider adding a run and lift. Only improvement that brings value!

Conclusion

· Simplest and easiest solution is best! No improvements required.

· The market will comfortably handle moderate ticket price increases.

· One run can be closed to save on operational costs.

· The model suggests there is room to increase ticket prices in the future.