

Problem:

The company has gained \$1,540,000 in additional costs per year. Within 3 months, find new solution to fix this accounting either by cutting costs elsewhere or introduce a new higher pricing method

Main Recommendations - Increase Ticket price:

I believe the best and quickest option is to do invest a bit and increase the vertical drop by 150 feet, and installing an additional chair lift.

Big Mountain currently charges \$81 for a lift ticket. Based on our model, with the additional vertical drop and chair lift, the marketplace can then support a price increase of \$1.99 to \$82.99. This figure is derived from comparing Big Mountain's features to those of other resorts and estimating what the market could bear given the resort's attributes. If the ticket price is raised by the model's suggested amount, and if the expected number of visitors over the season is 350,000; the model predicts a revenue of potentially amounting to \$3,474,638 over the season. This figure could cover the additional operating costs of the chair lift and potentially boost profitability.

It was either adding a vertical drop and chair, or add 2 more acres of snow-making coverage; as both can handle a ticket price support by \$1.99. However, adding snow-making gives us less options to maneuver. As an insurance, with the vertical drop and chair lift method, we can also close down runs to greatly save on maintaince. But we wouldn't be able to do this if we did the add snow acre method as trading 2 runs for more acres of snow that would make the value of your ski resort seem less, but trading 2 runs for a newer and more exciting run with higher vertical jump is a good trade in the consumer's perspective.

Other recommendations - Closing Runs:

If increase ticket price does not help then I also recommend closing runs to lower maintenance cost. Though I would use this sparely as may lower the value proposition in consumer's perspective of your resort. Further data is needed to see if which runs are not used as much and thus will not be missed if closed.

Of course I would recommend doing this gradually as to not alarm people, and to see how they react as we can also backpaddle and reinstate the runs.

The models shows that if closing up to 3 runs, then you can also close up to 5 runs as will not significantly impact ticket price support. It is in my recommendation to gradual close 1 run to see if reach the acceptable amount you want and if not then close 2, but once you close 3 you might as well close 5 (you can see this in this fig 2 as cloding runs 3-5 will have the same ticket price ands revenue)

Fig 2

