Big Mountain Resort

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Problem Identification

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.

Potential solutions:

1. Close up runs
2. Add a new run and increase the vertical drop by 150 ft and install additional chair lifts

Recommendations

Main Recommendations - Adding a new run and increase Ticket price:

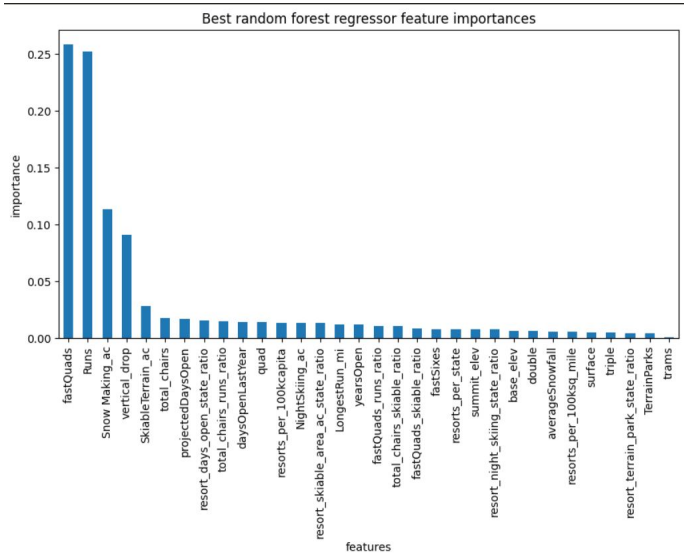
- I believe the best option is to do invest a bit and add a new run with a vertical drop by 150 feet and install an additional chair lift.
- Then you can increase the price of the ticket by $1.99 from $81 to $82.99.
- And if the expected number of visitors over the season is 350,000; then the investment will pay itself back in one season.

Other recommendations - Closing Runs:

- If increase ticket price does not help, then I also recommend closing runs to lower maintenance cost. If close 3 runs, then might as well close 5 runs.
- Though I would use this sparsely 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.
- You can close runs gradually as to not alarm people, and to see how they react. If they react badly then you can always backpedal and reinstate the runs.
- Inform the consumers, have signs that says the new run coming soon. This will make closing runs more digestible.

Option 1 - Adding a new run and increase Ticket price

Fig 1

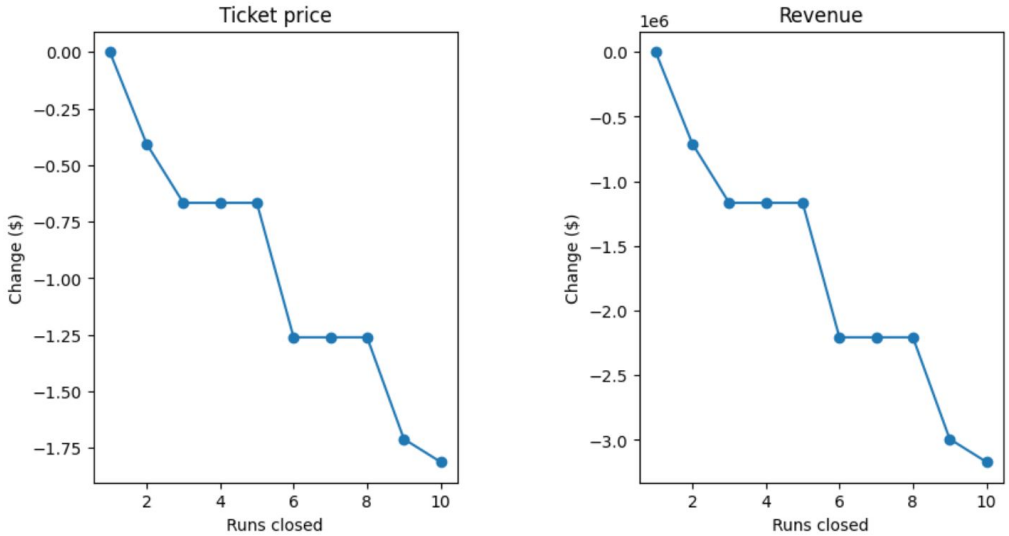


- Based on Fig 1 with features ranked by importance. The most important features seem to be
  - more run
  - More faster quad chair lifts
  - More snow making
  - More vertical drops
- A combination of vertical drop runs seems to be the key factor.
- Using an algorithm that applies delta to features, adding a new vertical drop by 150 feet and install an additional chair lift. Then you can increase the price of the ticket by $1.99 from $81 to $82.99.
  - If the ticket price is raised to $82.99, 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 revenue could cover the additional investment and operating costs of the new vertical run and chair lift.

Option 2 - Closing runs

As you can see this in this fig 2, closing 1 and 2 runs each time will drop revenue, but if decide to close 3 runs you might as well close 5 runs as will not drop revenue. But closing 5 runs instead of 3 will save on maintenance costs.

Fig 2



Summary

- The company has gained $1,540,000 in additional costs per year.

- My main recommendation is to invest in another vertical drop by 150 feet and install an additional chair lift. Then you can increase the price of the ticket by $1.99 from $81 to $82.99.
    - If the ticket price is raised to $82.99, and if the expected number of visitors over the season is 350,000; the model predicts the investment will pay itself back in one season (season's revenue: $3,474,638)

- Another potential recommendation is gradually closing runs to lower maintenance cost (and if close 3 runs then might as well close 5 runs).