

Big Mountain Ticket Pricing Strategy



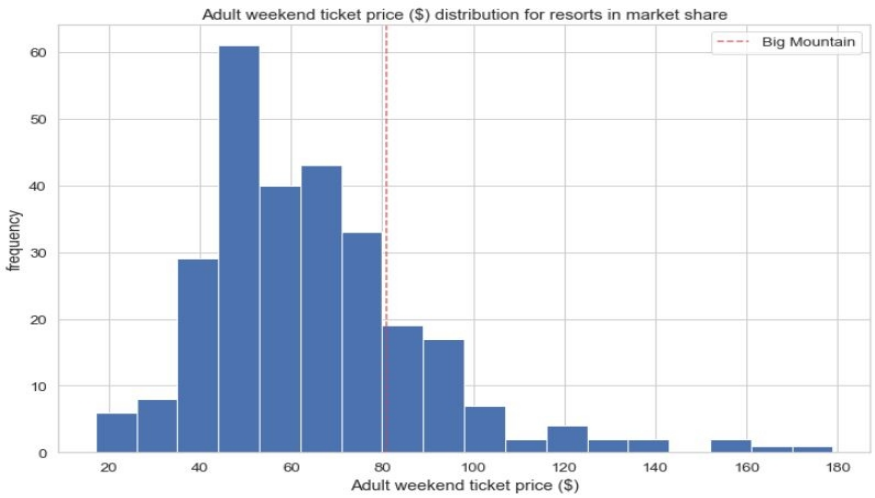
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I. Problem Identification

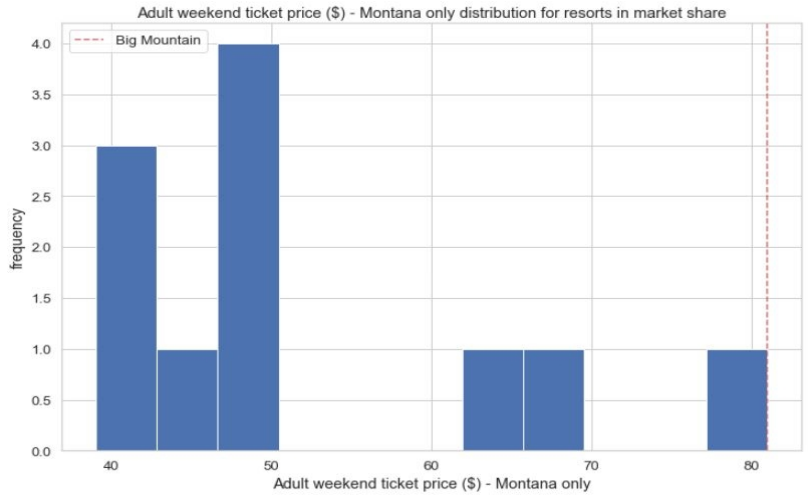


Big Mountain Market Position: Current Ticket Price

▷ Comparison with USA resorts in the market segment → top 20 %



▷ Comparison with Montana resorts in the market segment → top 1 %



Problem Definition

- ▷ **Problem:** Recently, Big Mountain has installed new chair lift which has increased its operational costs by \$1.54 mill. per year
- ▷ **Question:** Can Big Mountain increase its ticket price and by how much to offset the added operational costs and create as much profit as possible?
- ▷ **Risk:** Big Mountain current ticket price is already in the top 20 % in the country and the highest in the state of Montana. Increasing ticket price could price out the resort from competing in the market which will lead to long-term loss of customers and, in turn, revenue.
- ▷ **Task:** Analyze market segment ticket pricing and facilities to determine optimal ticket price and number/type of utilities to be added or closed for most profit while being competitive in the market

II. Key Findings and Recommendations



Ticket Pricing: Facilities Contraction vs. Expansion

▷ Main Finding:

- Model suggest that the ticket price can be increased from \$81 (current) to \$94 (new).
Such strategy is not recommended without further analysis and model tuning.

▷ Cost-cutting Strategy via Facilities Contraction:

- Minimalist strategy: Model supports closing the least used run without change of price. This will reduce operational costs – exact amount TBD – without affecting revenue
- Aggressive Strategy: Close five of the least used runs and reduce ticket price by \$0.70. The estimated revenue loss of \$1.2 mill. will be offset by the reduction of operational costs – exact amount TBD

▷ Revenue-increasing Strategy via Facilities Expansion:

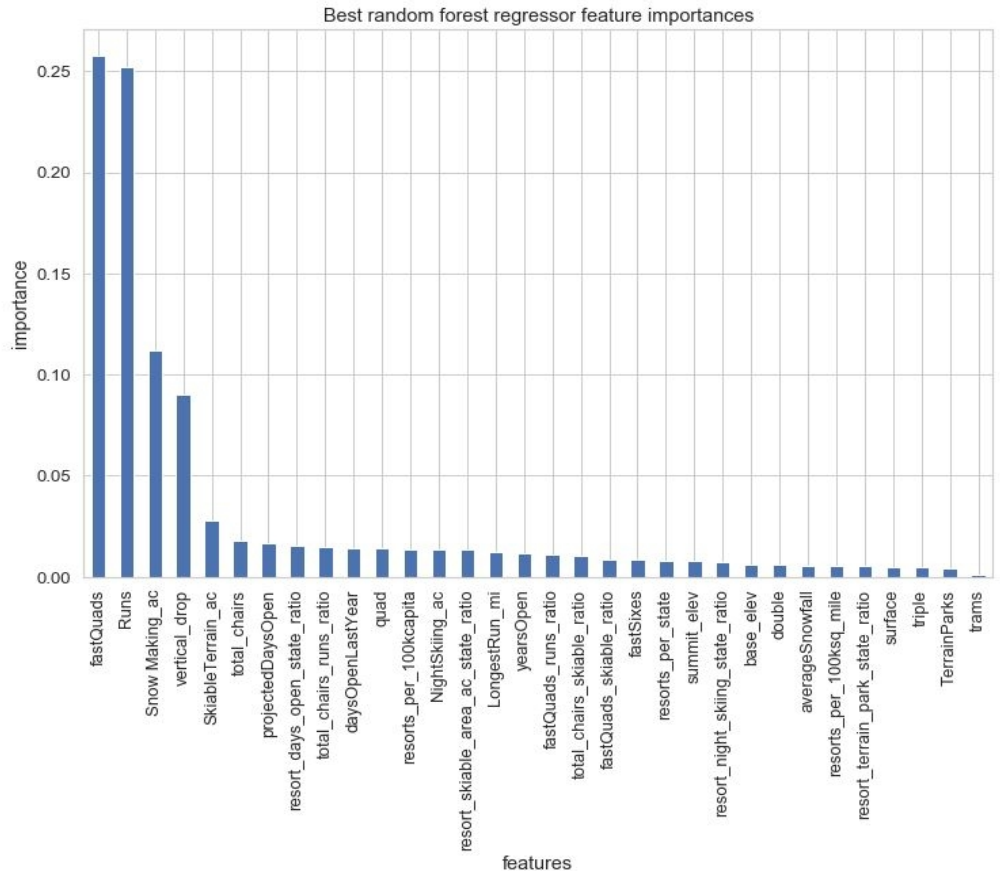
- Adding a run to increase vertical drop by 150 ft + adding a chair lift justifies ticket price increase by \$1.99. This will bring estimated revenue increase of \$3.5 mill. per year (based on 350,000 visitors per year skiing five days on average)

III. Model Results and Analysis



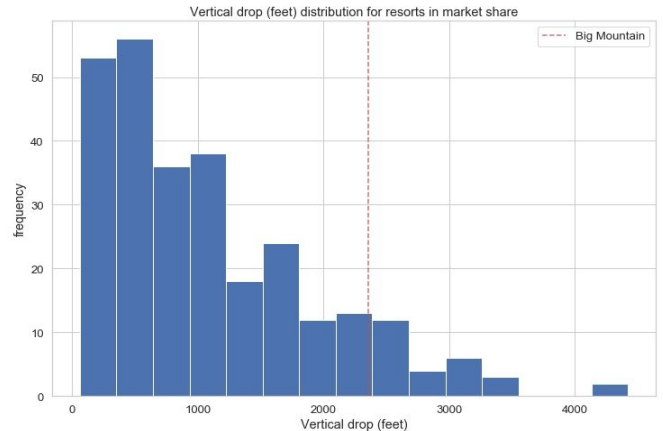
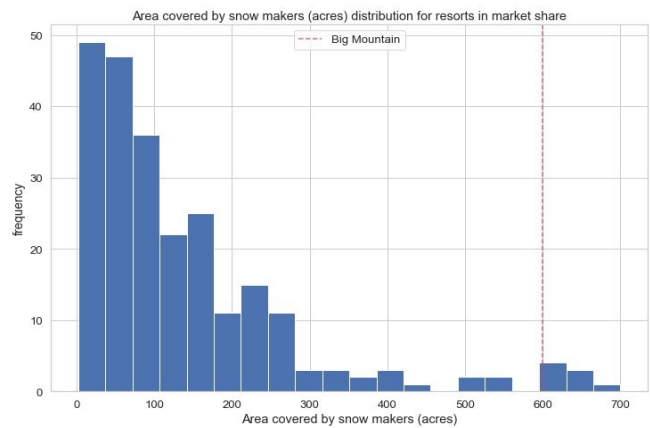
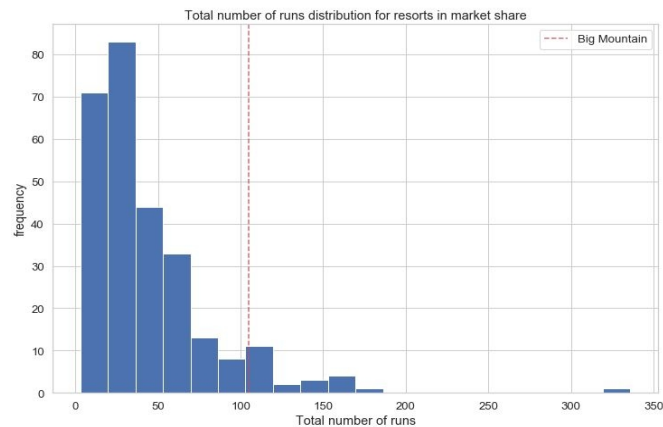
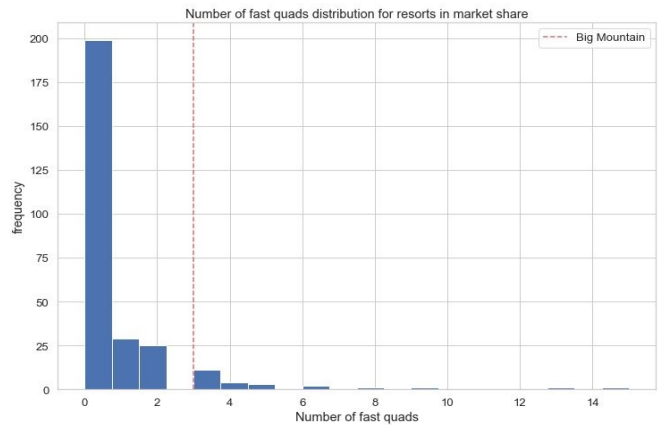
Resorts Feature Importance

- ▶ According to our model most important resort features in the market are:
 - Fast quads (weight of 0.26)
 - Runs (weight of 0.25)
 - Snow making area (weight of 0.11)
 - Vertical drop (weight of 0.09)
- ▶ These are the resort features that need to be the focus of possible scenarios in support of ticket price increase



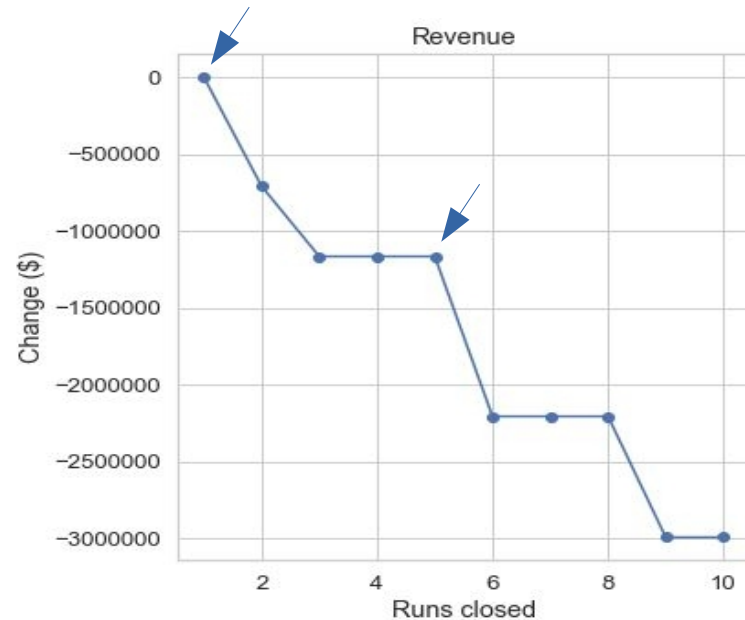
Resorts Feature Importance (cont.)

- With respect to the most important features identified, Big Mountain ranks at the top among resorts in the country



Model Results in Support of Cost-Cutting Strategies

- Results from model in which least utilized runs are closed show the following changes in ticket price and revenue (revenue estimates are based on 350,000 visitors per year, skiing five days on average)
- Closing the least used run does not require change in ticket price and, this, does not affect revenue
 - Closing five of the least used runs provides the best trade-off in terms of cost-savings vs. decrease in revenue



Model Results in Support of Expansion Strategies

- ▷ **Expansion scenario supporting ticket price increase:**
 - Adding a run to increase vertical drop by 150 ft + adding a chair lift → supports ticket price increase of \$1.99
 - This will bring estimated revenue increase of \$3.5 mill. per year (based on 350,000 visitors per year skiing five days on average)
- ▷ **Expansion scenarios NOT supporting ticket price increase:**
 - Same changes as above + adding two acres of snow making → supports ticket price increase of \$0.00
 - Increase longest run by 0.2 mi and add four acres of snow making to cover the run's extension → supports ticket price increase of \$0.00

IV. Summary and Next Steps

Summary and Further Work

▷ Main Findings of Current Analysis and Modeling:

- Model suggest that the ticket price can be increased from \$81 (current) to \$94 (new)
Such strategy is not recommended without further analysis and model tuning (see below)
- Model supports closing the least used run without change of price. This will reduce operational costs – exact amount TBD – without affecting revenue
This is a scenario which can be implemented with immediate results
- Model supports adding a run to increase vertical drop by 150 ft + adding a chair lift justifies ticket price increase by \$1.99. This will bring estimated revenue increase of \$3.5 mill. per year (based on 350,000 visitors per year skiing five days on average)
This scenario requires time and funding to be implemented → it is recommended to delay its implementation after more detail analysis and model tuning are completed

▷ Further Analysis and Model Tuning:

- Discover & collect data to analyze statistics of in-state vs. out-of-state visitors
- Based on these analyses, tune model with focus on resorts in the states of Washington, Oregon, Idaho, Wyoming in addition to resorts in Montana. If necessary, consider ski resorts near Calgary and Vancouver, Canada.
- Use tuned model to find optimal ticket pricing based on the best possible scenario for increasing company profit (consider/propose two best possible scenarios)