Guided Capstone Project Report

Big Mountain Resort accommodates approximately 350,000 customers per year who come to ski or snowboard. The resort recently installed an additional chair lift which increased their operating expenses for this season by $1,540,000. Management believes their current pricing strategy of charging a premium above the average price of resorts in its market segment may be causing them to undercharge for their tickets. They would like guidance on how to select a better value for their ticket price. In addition to this, they are considering 4 potential changes to either justify a higher ticket price, or reduce costs without undermining their existing price.

Our model determined the features of a ski resort that contribute most to its value to consumers and predicted an appropriate price based on the most important features and adult weekend ticket price for other resorts in the market segment. Currently Big Mountain Resort charges $81 for adult weekend tickets. Our model predicted a price of $94.22 with an expected mean absolute error of $10.39. This suggests that there is indeed room for a price increase. We considered that it is possible other resorts are also mispricing themselves, however when we look at Big Mountain’s price compared to all others, Big Mountain is above average but there are many more expensive resorts, while Big Mountain ranks at or near the top in all of the most important features except for number of trams, where nearly all resorts have zero. This suggests that while Big Mountain is one of the top resorts in its market segment, it is not charging like a top resort.

Of the potential changes that management is considering, I would recommend 2 changes. First, I recommend adding a new run, increasing vertical drop by 150 feet, and installing a new chair lift. This would support an increase of $1.99 per ticket, which if we assume each customer will purchase an average of 5 tickets over the season and the new lift will have a similar cost to install and operate as the one recently installed, will bring in more than twice the extra revenue as extra costs. Secondly, I recommend that management investigate the costs of operating their least popular runs and close between 1 to 5 of them. Closing the least popular run will not affect ticket prices that can be charged so should be done no matter the operating expense that will be saved. If the expenses related to running the second least popular run is more than $0.50 per ticket, that run should be closed as well. Closing the 3rd to 5th least popular runs will have the same impact on prices as just closing the 3rd, so if the expenses of the 2nd to 5th least popular runs are more than $0.75 per ticket combined, I would suggest closing all five of them.