Big Mountain Resort

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Problem Identification

We study the pricing strategy for Big Mountain resort and also investigate what possible improvements to the resort could be profitable.

Is Big Mountain’s current lift ticket price optimal?

Could certain changes be made to the resort that would support a higher ticket price and increase the resort’s profits?

Recommendation and Key Findings

- First Recommendation: The weekend lift ticket price could be increased from the current $81 to $95.87. The model suggests the current ticket price is lower than what other resorts with comparable amenities are charging for weekend lift tickets.
- Second Recommendation: We recommend adding an additional chair lift, one additional run, and 150 extra feet of vertical drop. The model suggests this would support an increase of $1.99 in ticket price. This would increase revenue more than costs and thus increase operating profits.

Modeling Results and Analysis (1)

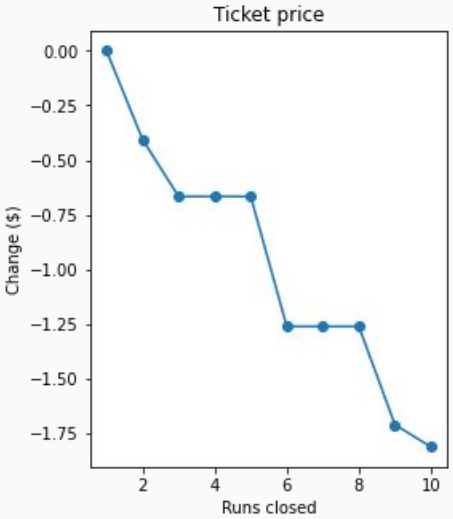
- We first used data on many other North American ski resorts to estimate what Big Mountain should be charging for lift tickets to be in line with the pricing of other resorts.
- The model suggests a substantial increase in ticket price could be supported by the resort's amenities.
- The current weekend lift ticket price is $81. The model suggests a lift ticket price of $95.87- indicating an increase in ticket price is supported by the data.

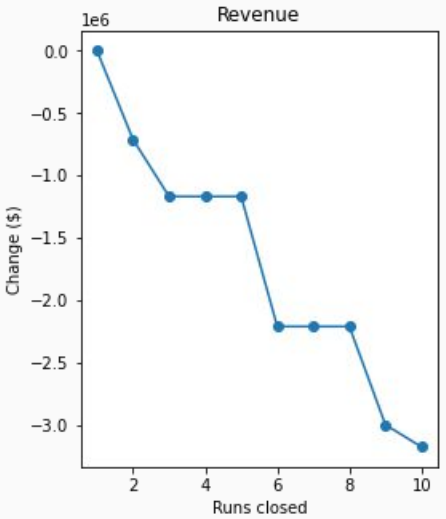
Modeling Results and Analysis (2)

- Besides ticket price, the model can be used to estimate what improvements to the ski resort would be profitable in terms of supporting a higher ticket price, while not raising costs more than the increase in revenue.
- First Scenario looked at closing from 1 to 10 runs.
- Results are shown on the next slide.

Modeling Results and Analysis (3)

- We estimate that closing 1 run would have no effect on ticket price.
- Closing more than 1 run would be detrimental to ticket prices.
- The effect is non-linear, as shown in these two plots.





Modeling Results and Analysis (4)

- We considered a scenario of adding a new lift, a new run, and 150 additional feet of vertical drop. This we believe to be profitable and is a main take-away.
- We next considered adding 2 additional acres of snow-making. We find that this doesn’t support a higher ticket price.
- We also considered adding 0.2 miles to the longest run and 4 additional acres of snow-making. The model suggests this would not be profitable.

Summary and Conclusion

- Main recommendations are to raise the ticket price as well as installing a new lift, along with a new run, and create 150 additional feet of vertical drop in the process.
- Other scenarios were considered, but were not profitable.