## Introduction

Big Mountain Resort has installed an additional chair lift to improve the distribution of guests around the mountain. Annual operating costs will increase by $1.54 million as a result. We investigated whether Big Mountain could increase revenue and/or cut costs for the next season by at least this amount. We examined a combination of ticket price increases and potential changes to facilities. The potential changes were a collection of four specific proposals which were evaluated for impact on annual revenue.

We conclude that Big Mountain should be able to increase ticket prices from the current $81 per day to $95.87 per day based on existing facilities. Potential expansion plans (outlined in Scenario 2) would justify increasing ticket prices by another $1.99 per day.

## Details

We compared Big Mountain’s ticket prices against 276 other resorts in the market share. We investigated 35 metrics involving physical geography (e.g., size of the mountain, local population), resort size (e.g., number and length of runs), and resort amenities (e.g., number of lifts, snow-making capability, night-skiing capability). We assumed that Big Mountain will see 350,000 visitors this season and that each visitor will stay for 5 days on average

Our modeling determined that 8 metrics have greater importance in determining ticket prices. These are: vertical drop, snow-making coverage area, total chairs, number of fast quads, number of runs, length of the longest run, number of trams, and skiable terrain area.

### Key Metric Comparison

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Although Big Mountain’s prices are the highest in Montana and higher than the average for resorts in the market share, we rank highly among all key metrics except for the number of trams. Since few resorts have trams, this has little impact on Big Mountain’s pricing. Our model determined that Big Mountain should be pricing a daily ticket at $95.87. The model contains an average uncertainty of $10.39. Despite this, we see room for an increase. Under model assumptions, ticket prices would need to be increased by $0.88 per day to cover this season’s additional operating costs.

## Future Planning Scenarios

### Scenario 1: Permanently close up to 10 of the least used runs.

Our model indicates we would have to reduce tickets prices from the value above if we were to close 2 or more runs. We should be able to close 1 run with no impact on ticket price. Loss of potential revenue varies from approximately $710 thousand for closing 2 runs to $3.170 million for closing 10 runs. We find the same ticket price when closing anywhere from 2-4 runs. This is also true for 5-7 runs. If we choose to close runs, we should close 1, 4, 7, 8, 9, or 10 runs.

### Scenario 2: Add run to a point 150 feet lower and install additional chair lift.

The model indicates we can add an additional $1.99 to the ticket price, adding approximately $3.475 million in revenue.

### Scenario 3: Scenario 2 with additional snow making coverage.

The model reports that this additional snow making coverage has no effect on ticket price. This scenario again supports an increase in ticket prices by $1.99. As we find the same revenue projection as Scenario 2, but additional capital expenditures and operating costs, we should not pursue this scenario further.

### Scenario 4: Lengthen longest run with snow making coverage.

The model suggests no change to the ticket price reported earlier. As in Scenario 3, we recommend no further investigation into this scenario.

## Recommendations

We recommend a daily price increase that is large enough to offset this season’s operating cost increase of $0.88 per ticket. Comparison with competing resorts suggests that we could increase prices as high as $95.87 per ticket. A conservative alternative of $85.48 per ticket would place the price at the lower end of suggested prices and still would more than offset the increase in operating costs.

For future planning, we recommend that we further investigate closing 1, 4, 7, 8, 9, or 10 runs under Scenario 1. We also recommend further investigation of Scenario 2. Revenue projections based on the model suggest that we discontinue investigation of Scenarios 3 and 4.