

Recommendations for Big Mountain Resort

Problem Statement

Big Mountain Resort(BMR) is a ski resort operating in Montana since 1947, which has been maintaining a business profit margin of 9.2% consistently for the past several years.

This year, an additional expenditure of \$1,540,000 was made to install and operate an additional chair lift to help increase the distribution of visitors across the mountain.

Objective: The Management had asked to make recommendations on how to preserve the business profit margin of BMR to 9.2% this year by increasing the revenue and/or decreasing the expenditures for this year to offset the \$1,540,000 spent on an additional chair lift.

Analysis

One of the first recommendations was to increase the Ticket Price. To decide on the increase, we analyzed 300+ resorts operational in the US.

We were able to identify the key facilities at the resorts that seem to influence the Ticket Price the most.

- **Vertical Drop:** The vertical distance from the top to the bottom of the mountain or slope.
- **Snow Making Acreage:** The area acreage at the Resort where Artificial Snow is available. This ensures that customers will have fresh snow to ski in irrespective of weather conditions.
- **Total Chair Lifts**
- **Number of Chairlifts that can carry 4 persons**
- **Total Number of Runs available**

On comparing BMR to other resorts, it was evident that BMR is at the high end of these facilities - offering only the best to its customers.

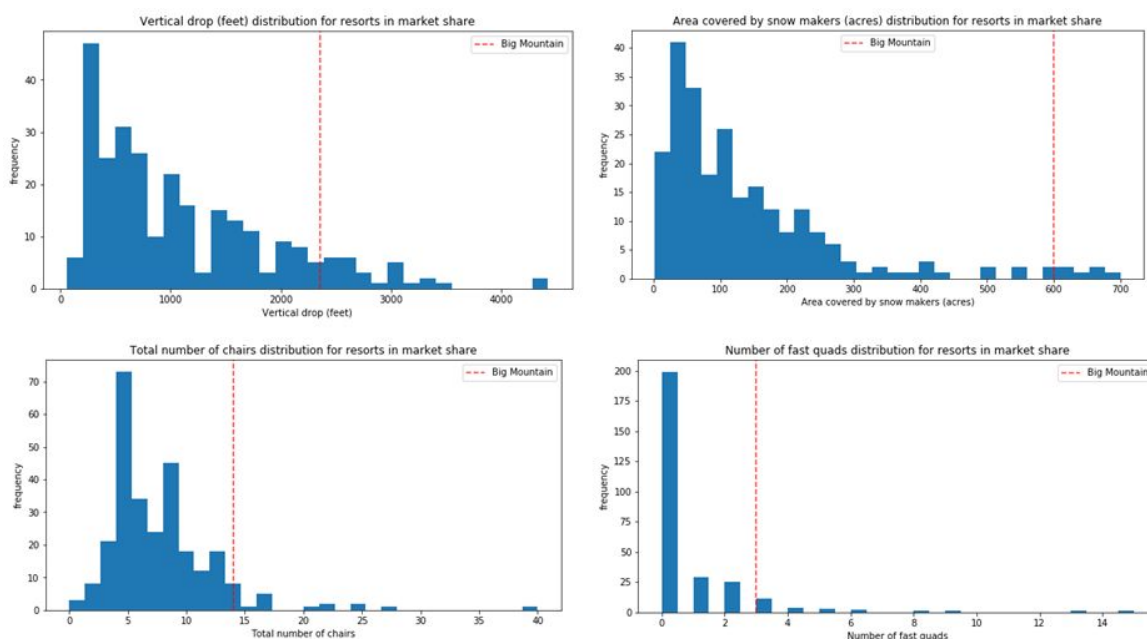


Fig 1: The red line shows where BMR lies compared to other resorts.

Conclusion

The predicted Ticket Price for BMR is \$95. Factoring in the MAE of \$10, we can see that a hike of upto \$4 is feasible.

BMR hosts 350,000 visitors in a year with an average stay time of 5 days.

In lieu of this, ***we recommend that the Ticket price be raised by \$2*** - to a total of **\$83**.

This will result in a revenue increase of **\$ 3,500,000** which is more than adequate to cover for the costs of the newly installed chairlift.

We would also recommend planning on ***increasing vertical drop and the snow making acreage of the resort***. This would give them an edge compared to their competitors as they are the highest influencing features for a ski resort.