



Big Mountain Resort

SUMMARY AND FINDINGS

Problem Statement

- ▶ **Big Mountain Resort, a ski resort located in Montana, recently installed a new chairlift, which increased their operating costs by \$1,540,000. The strategy of offsetting these additional costs, charging a premium above the average price of resorts in the same market segment, has aroused suspicion that Big Mountain is not capitalizing on its facilities as much as it could.**

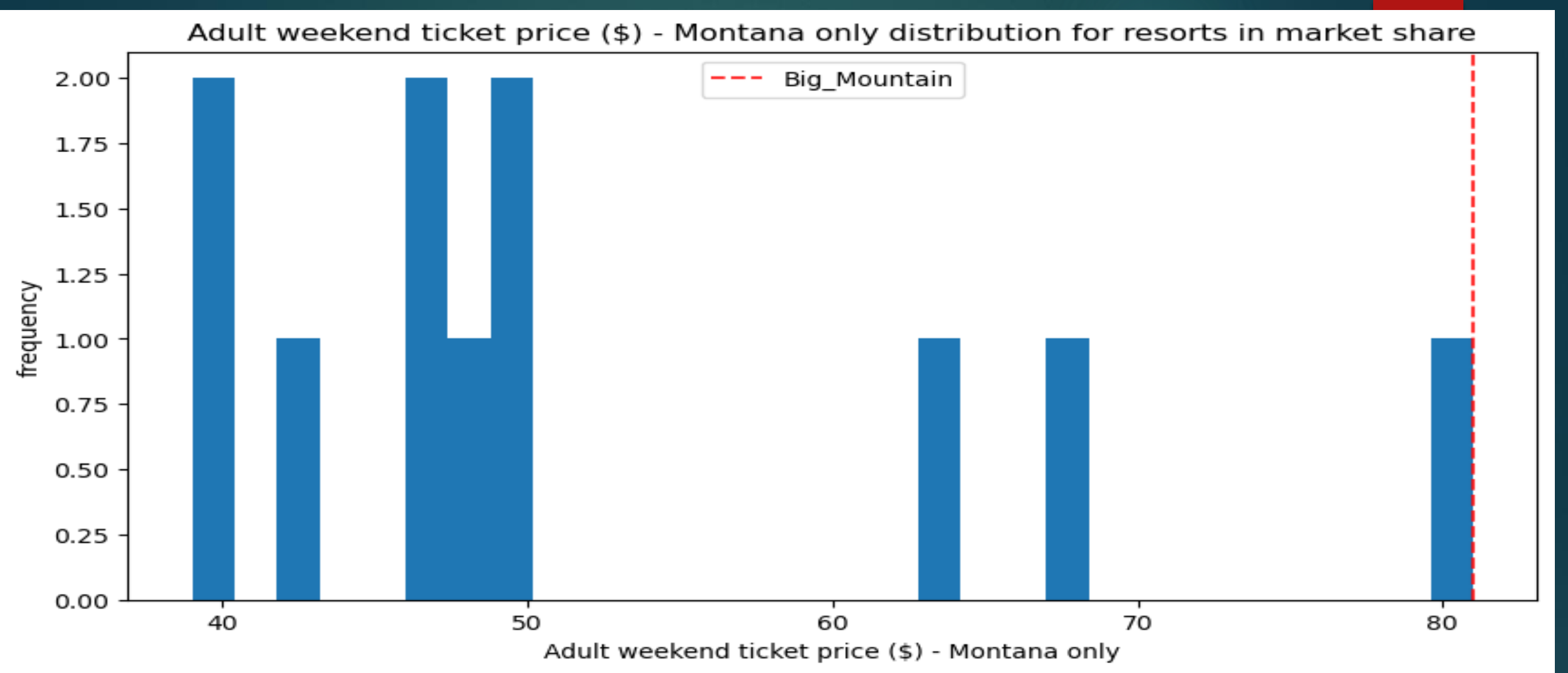
Recommendation/Key Findings

- ▶ **It is recommended that Big Mountain Run a trial to examine the effects of closing the least used runs. This recommendation is based on the following:**
- ▶ Closing up to 10 of the least used runs will not result in a significant decrease in ticket prices.
- ▶ Closing up to 10 of the least used runs would reduce the need for maintenance to the runs, thus cutting costs.
- ▶ Adding an additional run, or extending an existing run would result in the need for an additional lift, and would also involve construction (clearing any trees and other land preparation), thus raising operating costs even more.

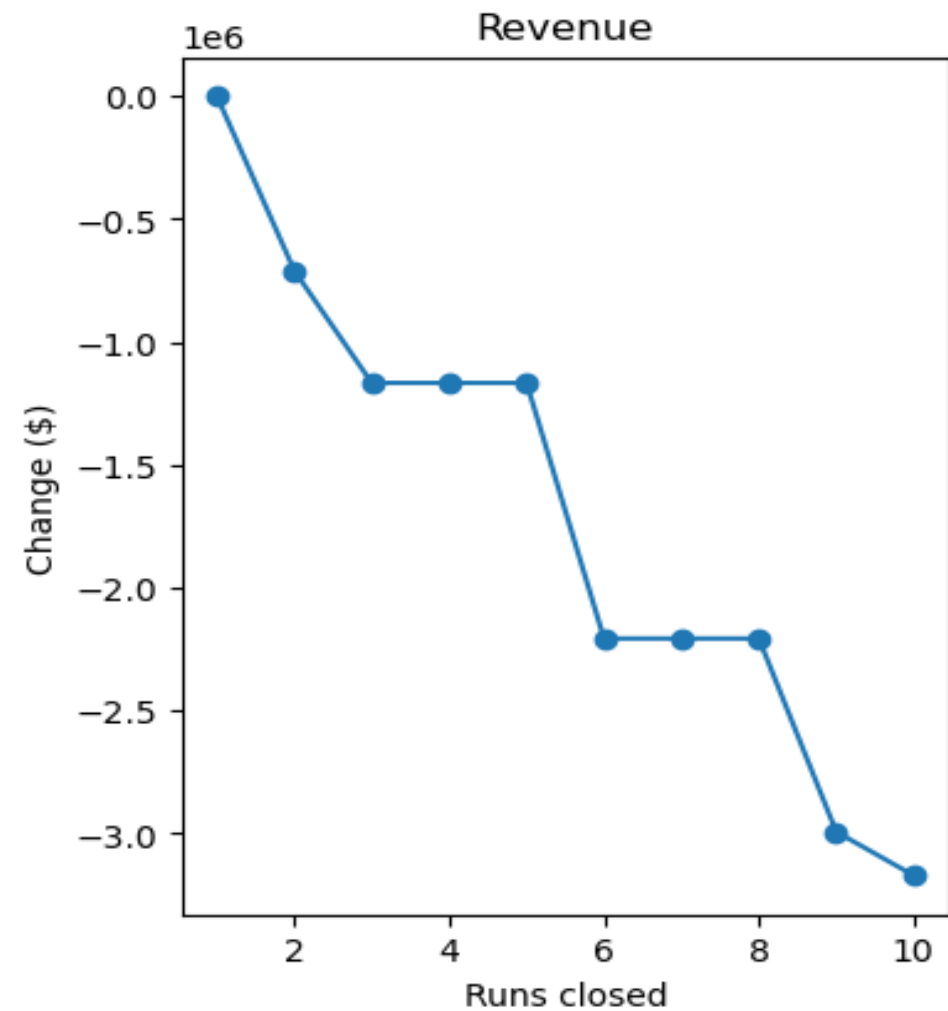
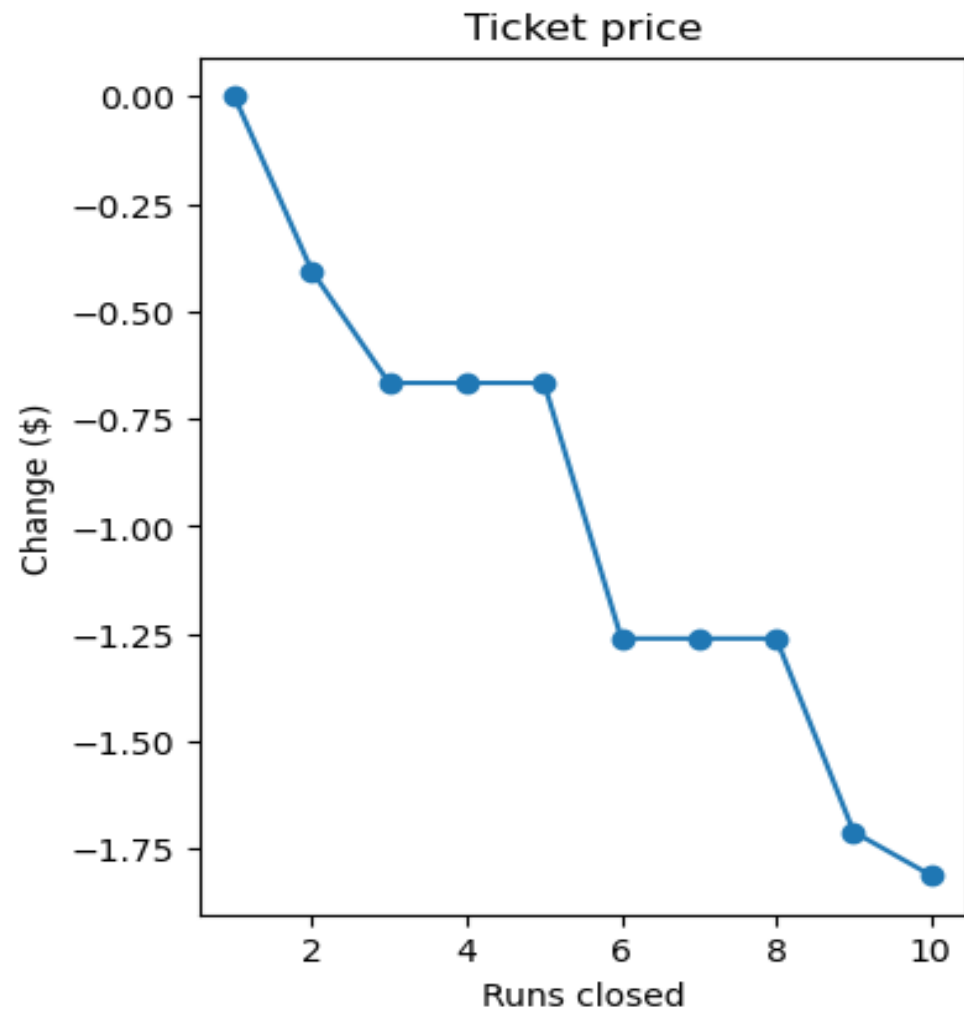
Recommendation/Key Findings

Cont'd

- ▶ Big Mountain Resort is highly priced on the Montana Market Share.
- ▶ Adding an additional run/extending an existing run, considering the additional lift needed, would raise ticket prices by \$1.99 USD and could result in customer dissatisfaction.



The above figure demonstrates Big Mountain's position in the Montana Market Share



The above figures demonstrate the following:

- Closing up to 10 runs
- This does not indicate a significant decrease in ticket price and revenue

Conclusion

- ▶ In comparison with other Montana Ski Resorts, Big Mountain Resort is high on the Montana Market Share.
- ▶ Cutting Maintenance Costs to the closed runs would offset a ticket price decrease.
- ▶ The lower maintenance costs will ultimately offset the cost of running the recently install chair lift.
- ▶ Going forward:
- ▶ Examine the affects of closing the least used runs
- ▶ Continue to examine other areas (other resort expenses/amenities) where costs could potentially be cut.