



# Big Mountain Resort Pricing Strategy

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# Problem Identification

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- **Client: Big Mountain Resort**

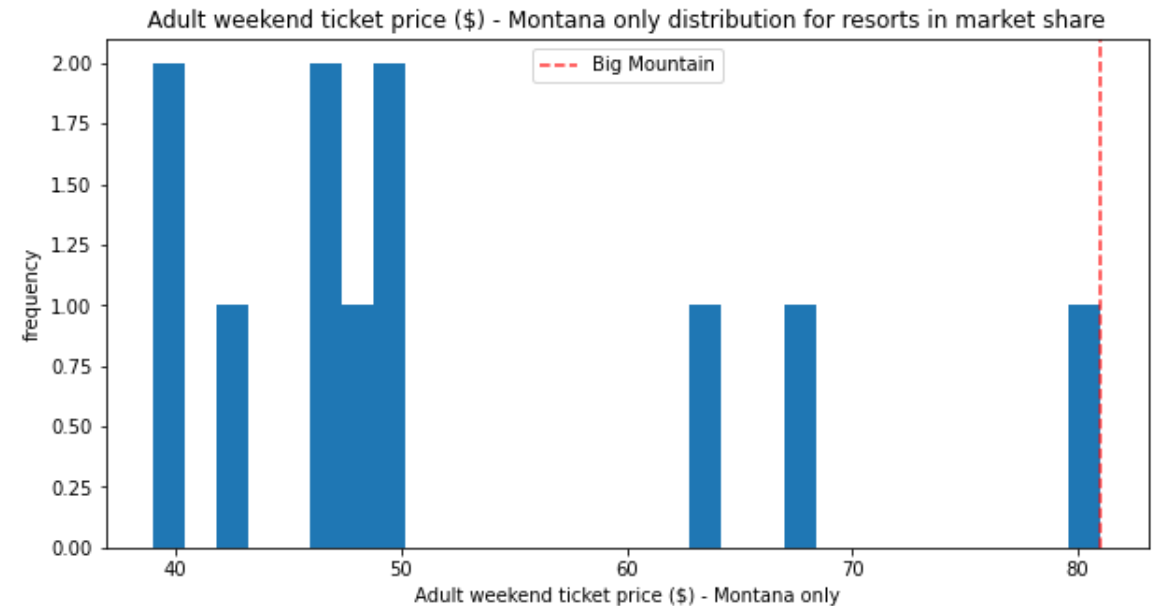
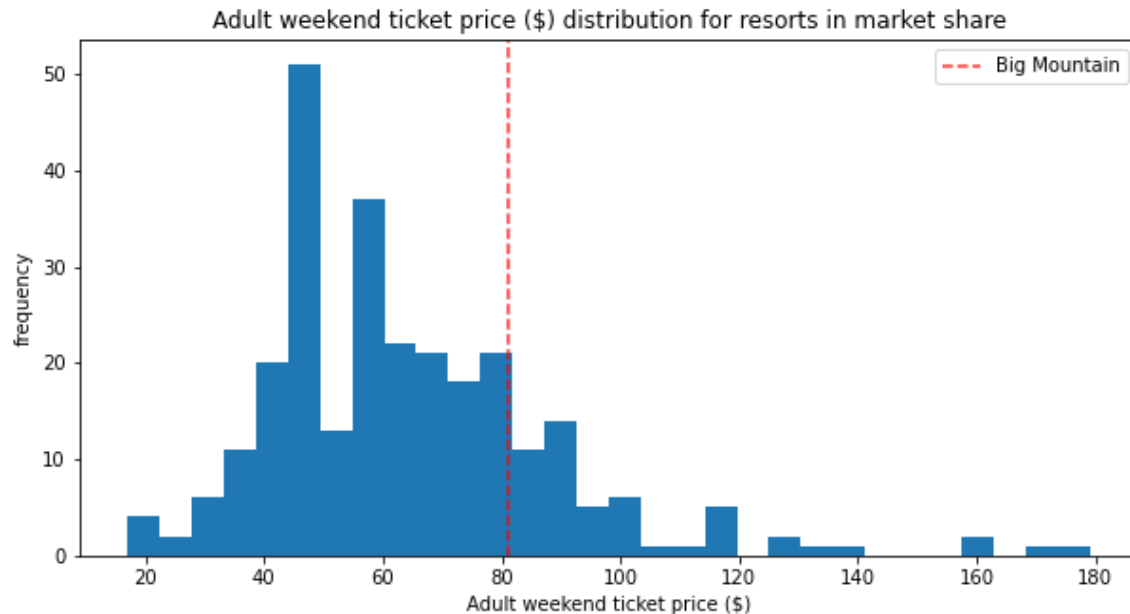
- Problem 1: Recently installed an additional chair lift
  - Increase operating costs by **\$1,540,000** this season
- Problem 2: **Not** capitalized on its facilities as much as it could to set ticket price
- Objective: To select a better value for their **ticket price** to increase revenue
- Also considering several **facility changes** that will either cut costs or will support a higher price



# Modeling Results and Analysis

## (1) Ticket price of Big Mountain Resort

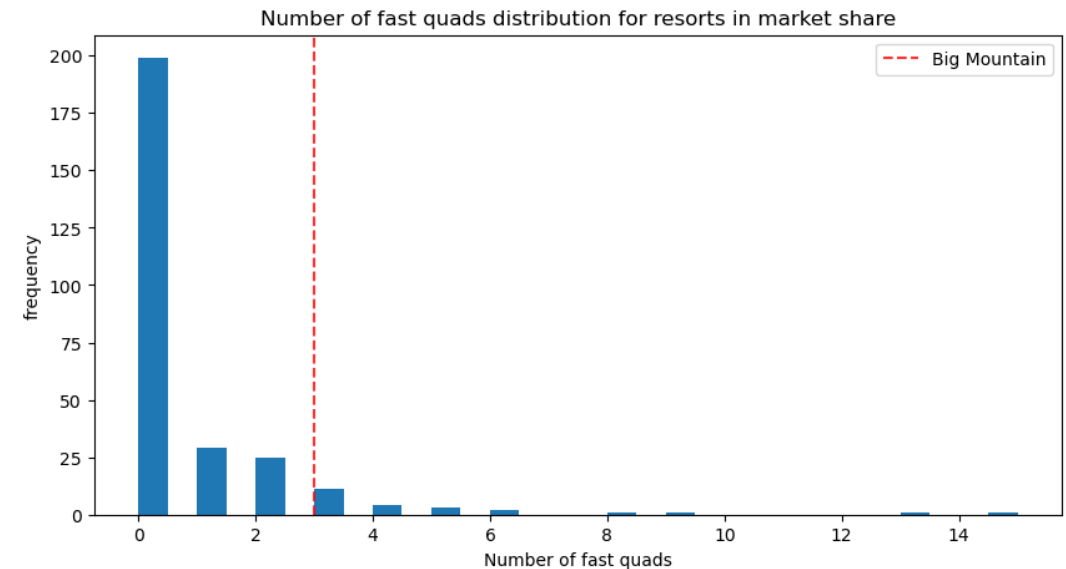
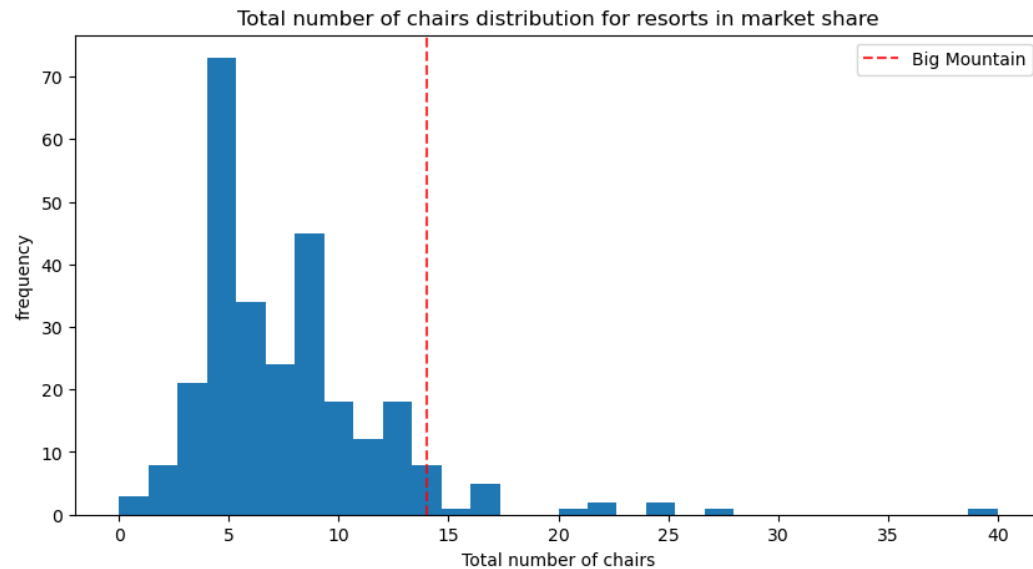
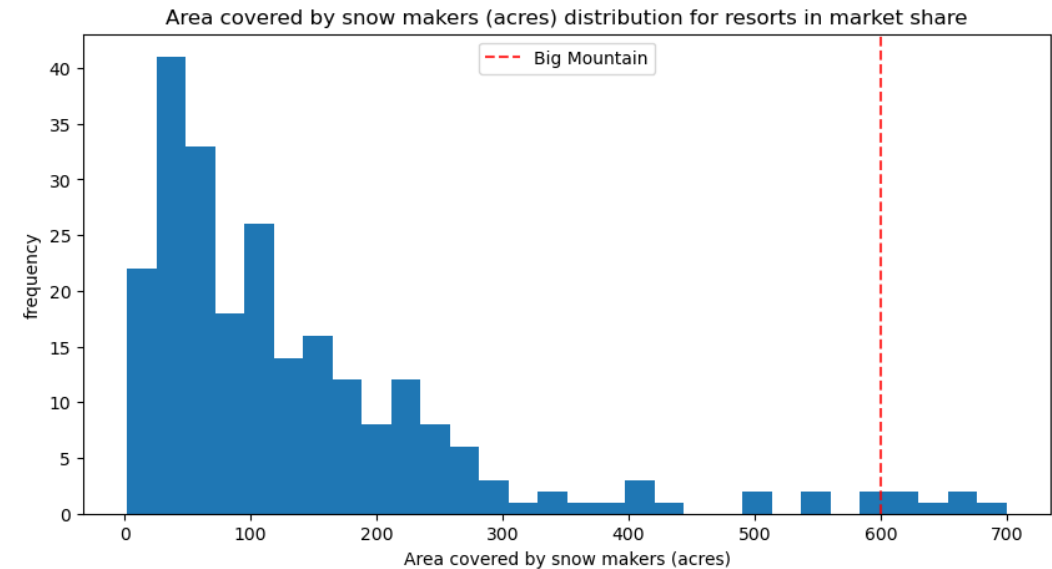
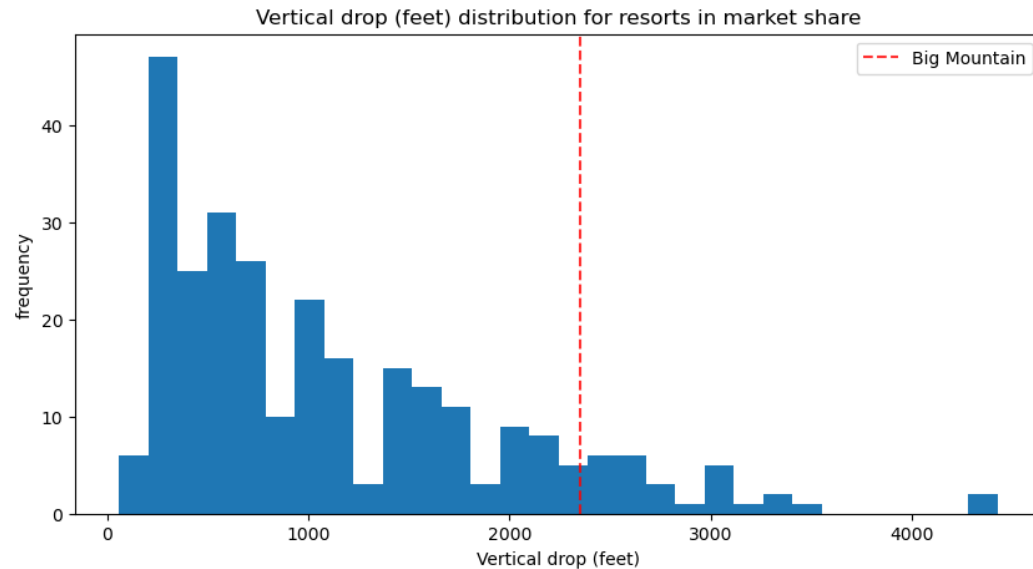
- Current price: \$81.00
- Modeled price: **\$95.87** with the mean absolute error of \$10.39

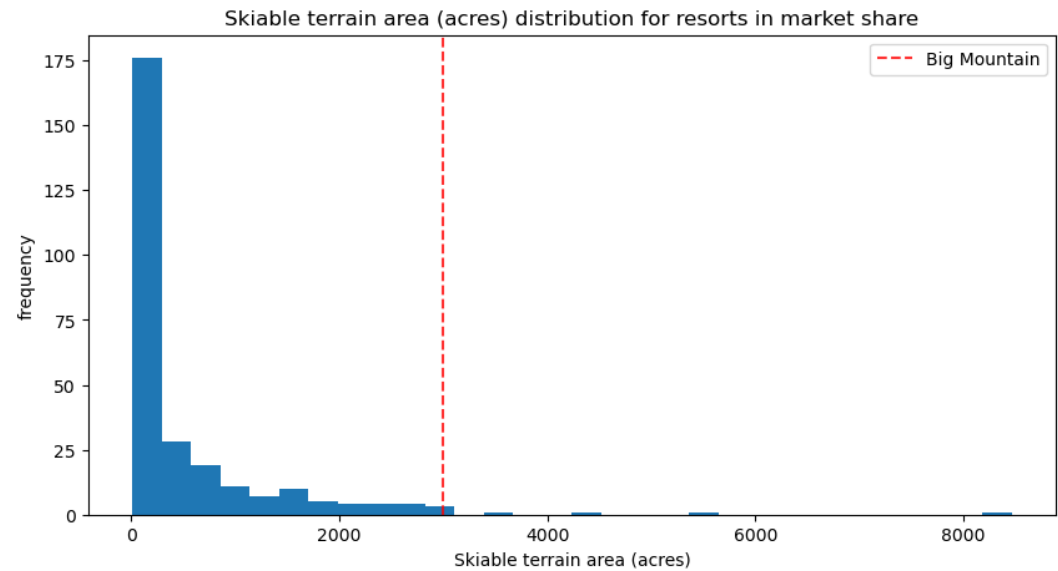
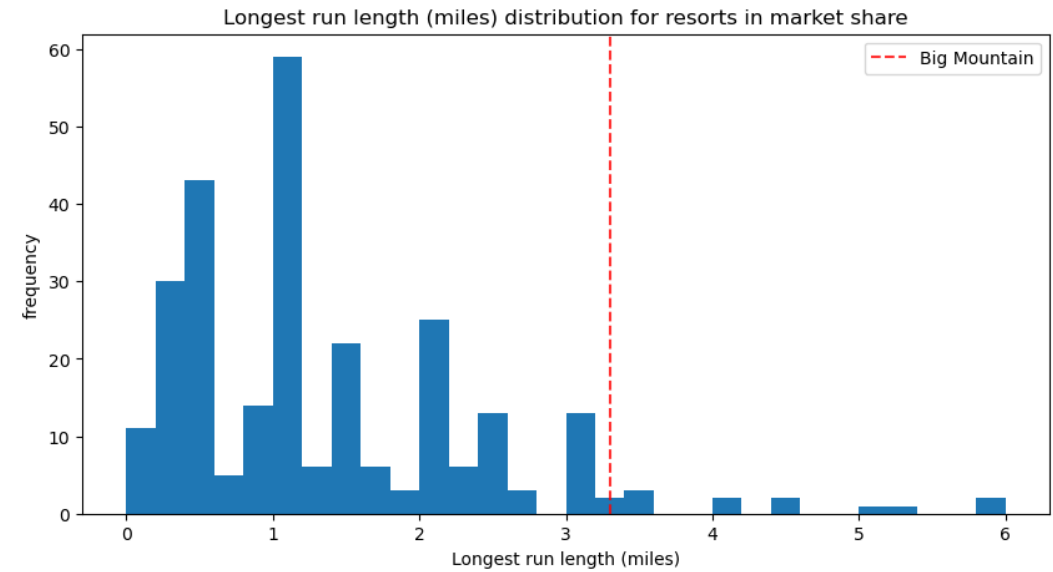
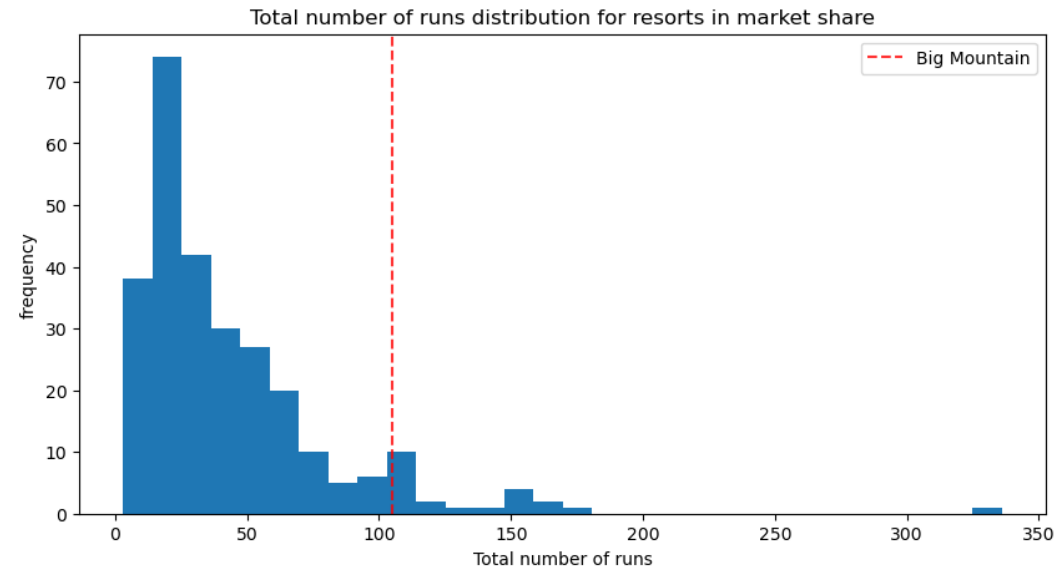


- The current ticket price of Big Mountain Resort seems to be fair and has room for an increase.
- Be aware that Big Mountain Resort charges the highest price in Montana.

## (2) Features that support price increase for Big Mountain Resort

- Vertical drop, total snow making area, number of total chairs, number of fast quads, number of runs, length of longest run, and amount of skiable terrain.

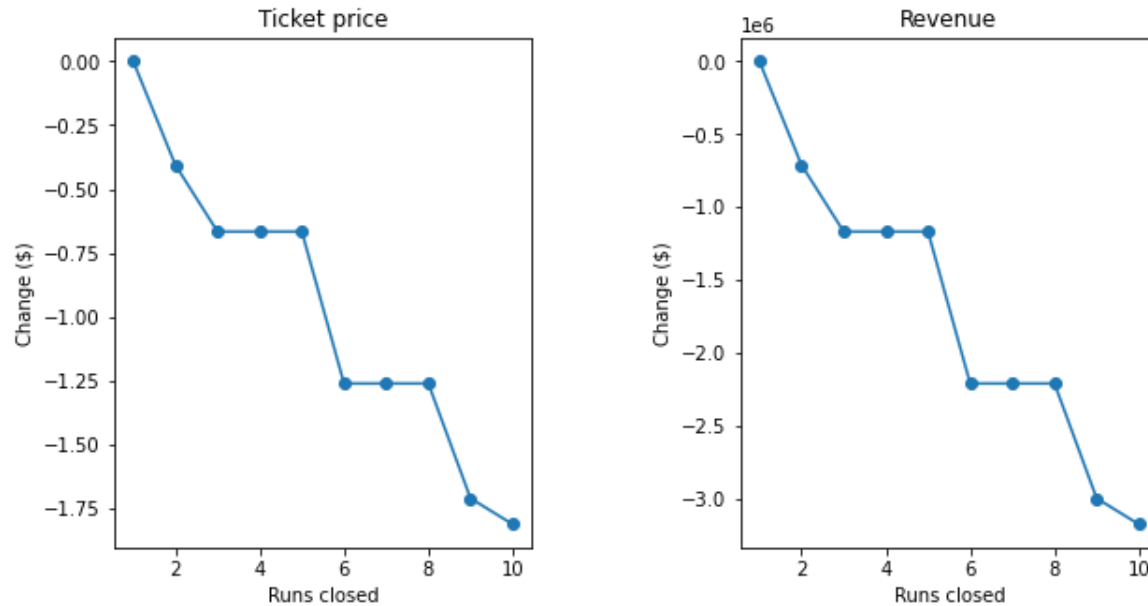




- Big Mountain Resort is high up the league table of each highlighted feature.

### (3) Four Modeling Scenarios

#### ❖ Scenario 1: Close up to 10 of the least used runs



- Closing one run makes no difference
- Closing 2 and 3 successively reduces support for ticket price and so revenue
- Closing 4 or 5: no further loss in ticket price
- Increasing the closures down to 6 or more leads to a large drop

#### ❖ Scenario 2: Adding a run, increasing the vertical drop by 150 feet, and installing an additional chair lift

- This scenario increases support for ticket price by **\$8.61**

#### ❖ Scenario 3: Repeating Scenario 2 but adding 2 acres of snow making area

- This scenario increases support for ticket price by **\$9.90**

#### ❖ Scenario 4: Increasing the longest run by 0.2 miles and adding 4 acres of snow making capability

- No difference whatsoever

# Recommendations and Key Findings

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- Recommend **Scenario 2**: Adding a run to increase vertical drop by 150 feet and installing an additional chair lift
  - Supports a large ticket price increase (\$8.61)
  - An additional chair lift has already been installed
- Optional Recommendation: Scenario 1 – Closing 5 least used runs
  - Can cut the operating costs, while it reduces the ticket price by about \$0.7
- Optional Recommendation: Scenario 3 – Adding 2 more acres of snow making area to Scenario 2
  - Supports a price increase of \$1.29, while it increases operating costs

# Summary and Conclusions

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- The higher modeled price for Big Mountain Resort suggests there is room for an increase.
- This increase in ticket price is supported by the features they provide compared to other resorts in market share.
- Their recently installed chair lift can also support such a price increase.
- Detailed operating cost data for maintaining runs and increasing snow making area are needed to provide further concrete recommendations.