

Problem Statement Worksheet (Hypothesis Formation)

In a recent effort to increase the distribution of visitors, Big Mountain Resort has installed an additional chairlift which increased its operating costs by \$1.54M for this season. To offset this rise in operating costs, the resort will have to make changes in its ticket pricing strategy, also consider either cutting other operating costs without undermining the ticket price or that will support an even higher ticket price, all by October 31st 2020.

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1 Context

Big Mountain Resort (BMR) is a ski resort in Montana which attracts about 350,000 visitors annually for participating in its skiing and snowboarding activities. In its recent efforts to increase the distribution of visitors across the mountain, BMR has added a new chairlift to its logistics support which increased its operating costs by \$1.54M for this season. As a result, the management has decided to make changes to BMR's ticket pricing strategy and explore options to cut unwanted costs.

2 Criteria for success

Success of this project depends on a clear set of actions taken by October 31st 2020 to counter the \$1.54M rise in operational costs by making changes to the existing ticket pricing strategy, cutting unwanted operating costs without affecting the ticket price or actions that support an even higher ticket price.

3 Scope of solution space

- Change ticket pricing strategy by adopting a data-driven approach and by moving away from the usual strategy of basing their price on just the market average.
- Cut down expenditure on unwanted equipment to a level such that it could counter the rise in recent expenses as well as accommodate a higher ticket price if possible.
- Capitalize on its facilities as much as it could.

4 Constraints within solution space

- The possibility of raising ticket prices is limited as BMR already charges a premium above the market average.
- Prices should be carefully allocated to its activities at facilities based on different geographical locations across the mountain. Example: Facility at the Summit should charge more price than that of the facility at the base due to high operational costs at high altitudes.

5 Stakeholders to provide key insight

- Jimmy Blackburn – Director of Operations
- Alesha Eisen – Database Manager

6 Key data sources

- skiResorts.csv – CSV file obtained from the Database Manager.

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