Problem Statement Worksheet (Hypothesis Formation)

For the upcoming season, what is the ticket price justified by the location and present facilities of Big Mountain Resort, and what is the most profitable ticket price when the facilities are not held constant?

1 Context

Big Mountain Resort (BMR) averages 350,000 visitors a season
They have 11 lifts, 2 T-bars, 1 magic carpet. The base elevation is 4.4k ft, the summit is 6.8k ft with a vertical drop of 2.3. One additional chair recently lead to an operating cost increase of $1.5M. They are presently charging a premium above average resorts in market segment. They want to more substantively evaluate pricing strategy

2 Criteria for success

- Adjust ticket price to more specifically match facilities
- Determine what facilities can be first-on-the-chopping block without having to reduce ticket price.

3 Scope of solution space

The most fruitful possibility for change is in the lift and chair infrastructure. It is possible that the snow machines and night skiing areas can be adjusted with capital investment in that infrastructure.

4 Constraints within solution space

The local environment is a constant and cannot be changed. Any reduction in present capabilities might be difficult to justify to the existing customer base. New capital outlay may be difficult to manage, given they added an additional chair last year.

5 Stakeholders to provide key insight

Jimmy Blackburn, Director of Operations
Alesha Eisen, Database Manager

6 Key data sources

The database manager has provided a csv file with information from 330 resorts in the same market share, including Big Mountain Resort.