

Big Mountain Resort Problem Statement Worksheet (Hypothesis Formation)

Big Mountain Resort, a ski resort in Northwestern Montana, has recently installed new equipment that has increased its annual operating cost by \$1,540,000. The operators of the resort suspect that its prices are too low and are not representative of market prices at comparable facilities. They seek to develop a data-driven pricing model that is in line with those at comparable resorts.

1 Context

Big Mountain Resort, a ski resort in Northwestern Montana, has recently installed a new chair lift. As a result its annual operating cost has increased by \$1,540,000. Its pricing strategy has been to charge a premium above the average price of resorts in its market segment. Management realizes that this does not take into account the relative importance of some facilities compared to others. They have asked for guidance about setting their prices using a data-driven approach.

2 Criteria for success

This initiative will be considered successful if the operating revenue for the next ski season has risen by more than \$1,540,000.

3 Scope of solution space

This project will be entirely focused on prices. Other desirable outcomes such as decreased operating costs are out of scope.

4 Constraints within solution space

The principal risk is model miss-specification during the analysis phase.

5 Stakeholders to provide key insight

The two stakeholders are Jimmy Blackburn (Director of Operations), and Alesha Eisen (Database Manager). Our results will be reviewed by Mr. Blackburn.

6 Key data sources

The required data will be supplied by Ms. Eisen.