Big Mountain Resort

Recommendations for recouping increased operating costs.

Problem Statement

How will changing the following factors at Big Mountain Resort help them maintain the business profit margin of 9.2% this ski season despite the increase in operating cost by $1,540,000?

1. Total chairs (just increased) and number of runs
2. Adjusting prices
3. Number of days open

Problem Statement Considerations

Context: Big Mountain Resort (BMR) has a variety of skiers and riders ranging in skill from intermediate to advanced. They've supplemented their 11 lifts, 2 T-bars, and magic carpet with an additional chair lift which increased operating costs by $1,540,000 for the season.

Criteria for success: Maintain a 9.2% profit margin to recouping operating costs from the new chair this season and provide projections for this year's' annual revenue in order to recouping operating costs (~$1.5million)

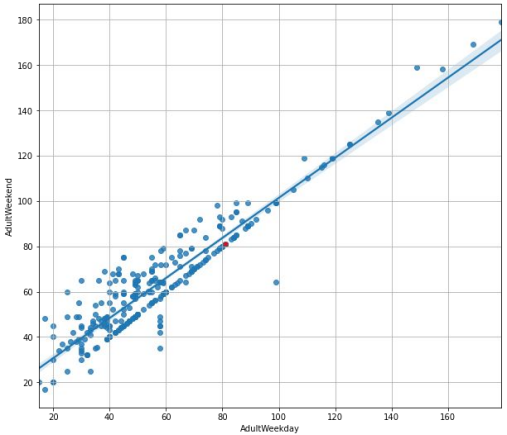
Scope of solution: The scope is to increase profits for the ski season to offset the cost of operating the new lift. Since the BMR would like to maintain the profit margin, any additional changes should be added to the increase in operating cost.

Constraints within Solution Space: The projection of days open will affect success. It may not be clear how customers will react to changes like an increase in price.

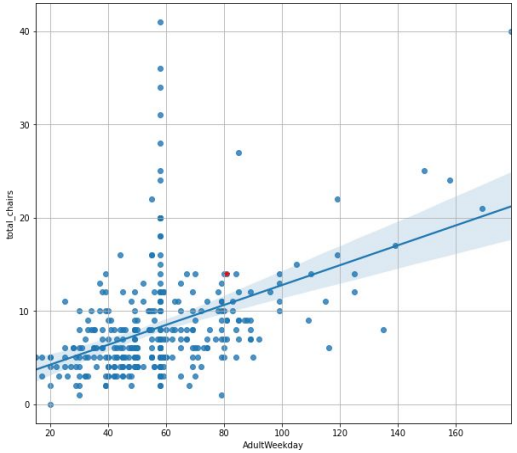
Stakeholders: Director of Operations -- Jimmy Blackburn, Database Manager -- Alesha Eisen

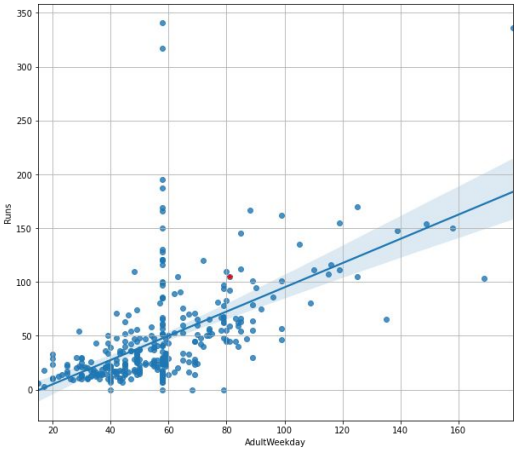
Key Data: csv provided by the database manager

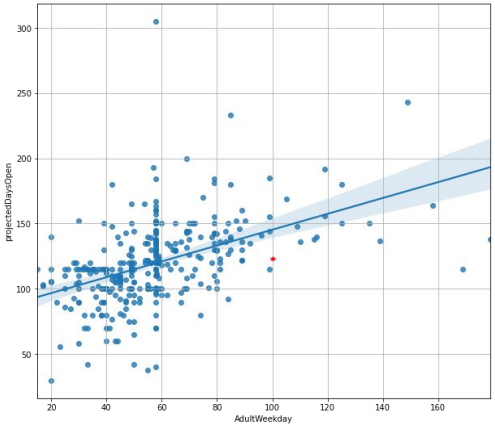
Modeling Results



The weekend and weekday prices are linearly related and therefore should be approximately the same.







The number of chairs and runs at BMR indicate a higher price may be charged.

The projected number of days open is affecting the profit margin and management should consider why they are not open more considering snowfall and snow made are high.

Results Analysis

Limitations of analysis:

- Customer feedback was not considered.
  - Price increases may have a significant effect on the number of customers
  - Decreasing customers impact BMR’s revenue.
  - This is important because BMR is the highest priced ski resort in the region
  - Prediction efforts could be made given additional historical data and the number of visitors in each dataset

- Customer behaviour has not been considered
  - Why do people choose BMR over competitors.
  - How far do customers travel for this particular resort; are customers from other regions or locals?
  - Having data on the customers, via a survey, would help answer these questions.

Results Analysis

Estimation of park revenue:

- Increasing the days open to 150 days will decrease the amount revenue per day to $10,000 from $12,195
    - If the park is open 150 days per year and assuming 151 guests visit each day at $81 each, the park will make ~$1.8 million.

- Increasing the price per adult guest.
    - By increasing the price to $100 per day, the park will increase revenue to ~$1.86 million in the season.
    - By keeping the park open for 150 days per year along with increasing the price, the park will make ~$2.27 million.

Results Analysis

Options for park:

- Increasing the number of days open and the price:
  - Less visitors would be required each day to meet the profit margin
  - This would provide a buffer for unforeseen events
- Increasing the number of days open or the price:
  - This would provide less of a buffer, but would still require fewer visitors per day
  -
- Changing price per customer:
  - Depending on motivation of customers, the price could be manipulated up or down.
  - Further information needs to be collected to predict this.

Conclusion

Big Mountain Resort has several options to increase revenue. It would be good to follow this study with collection of a customer survey and historic data. All of the data could be coupled to interpret consumer impressions.