Problem Statement Worksheet (Hypothesis Formation)

What combination of rate increases (weekend, weekday and/or night) and/or extending the ski season will generate an additional $1.68 million in revenue in the next season (without pushing prices beyond 20% of the mean/median price of the competition)?

H

1 Context

Big Mountain Resort needs to increase annual revenue to cover the $1.54 million operating cost of the new chair lift. The investors want to maintain the current 9.2% profit margin.

2 Criteria for success

The proposed solution will generate at least $1.68 million (= $1.54 million * 1.092) in projected additional revenue next year, while keeping the prices within 20% of the mean/median of the competition (other resorts in the same region, other similarly sized resorts, regardless of region).

3 Scope of solution space

The focus is to maintain the profit margin by increasing revenue to cover increased operating expenses.
Given the data available, we are looking at the number of operating days and the rates for weekends, weekday and night skiing.

4 Constraints within solution space

Given the weather conditions, it may not be possible to extend the season by much.
Large rate increases might result in fewer customers; rate increases probably need to be moderate, and be accompanied by good marketing (highlighting the new lift and its benefits, highlighting what we offer than the competition doesn't, etc.)
Without having seen the data, I don't know how current prices compare to the competition.

5 Stakeholders to provide key insight

Jimmy Blackburn - Director of operations
Alesha Eisen - Database manager

6 Key data sources

CSV file
To determine regional competitors: Region, state
To determine similarly sized competitors: summit_elev, vertical_drop, base_elev, total_chairs, Runs, LongestRun_mi; SkiableTerrain_ac, SnowMaking_ac
To calculate possible rate increases: AdultWeekday, Adult Weekend, daysOpenLastYear, projectedDaysOpen, (NightSkiing_ac)

H C E I F