Case: Big Mountain Resort

Unit 6: Guided Capstone

Problem Statement Worksheet (Hypothesis Formation)

With consideration to facilities customers readily pay for, how can Big Mountain adjust its pricing strategy and reduce its cost base to increase its profits by >5% this year?

1 Context

Big Mountain Resort invested in an additional chair lift, increasing operating costs by $1.54m this season. With this additional significant investment, Management would like to revisit their pricing strategy and adjust ticket prices to reflect the value it creates for their customers through the facilities or other characteristics of the resort. They would also like to determine any cost-saving opportunities from less usage of facilities that do not translate into pricing power. Ultimately, this should result into greater profits for the business as well as improve the investment's ROI.

2 Criteria for success

Outcomes for this business initiative are:
1) Proposed ticket prices
2) Identification of facilities which do not materially affect pricing power

3 Scope of solution space

Analysis will be restricted to the various features, facilities or resort characteristics as outlined in the CSV file received. While there may be other interesting services that could affect pricing (i.e. equipment and gear rentals), these are out-of-scope. In looking at cost-saving opportunities, the aim is to provide a steer as to which facilities are less valued (and hence, a potential expenditure to cut), as opposed to providing an accurate valuation for cost savings from reduced facility use.

4 Constraints within solution space

On pricing changes, resistance to price increases may come from the stakeholders or the customers. Reaction from competitors, which can be unpredictable, may also restrict a change in pricing strategy.

On cost-saving opportunities, some resort characteristics or facilities may not be changed or removed due to practicality, timeline, or regulation.

5 Stakeholders to provide key insight

Director of Operations: Jimmy Blackburn
Database Manager: Alesha Elsen

6 Key data sources

Data will need to be sourced from the company's SQL database of the company. The CSV file received from the database manager should be sufficient for this initial analysis.