

Problem Statement Worksheet (Hypothesis Formation)

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How to preserve the business profit margin of BMR to 9.2% this year by increasing the revenue and/or decreasing the expenditures for this year to offset the \$1,540,000 spent on an additional chair lift?

1 Context

Big Mountain Resort(BMR) is a ski resort operating since 1947, which has been maintaining a business profit margin of 9.2% consistently for the past several years.

This year, an additional expenditure of \$1,540,000 was made to install and operate an additional chair lift to help increase the distribution of visitors across the mountain.

2 Criteria for success

The profit margin will not go below 9.2% for this financial year.

3 Scope of solution space

Increase the revenue to absorb the additional expenditure of \$ 1,540,000 for this year.

Decrease any major expenditures that can be safely postponed to next year.

4 Constraints within solution space

1. We assume that the crowd will remain the same as last few years and that there will be no huge reduction in their numbers due to an unforeseen disaster/inclement weather.
2. There should be no major breakdowns for any of the existing machinery or emergencies (eg. fire) which was not budgeted for.

5 Stakeholders to provide key insight

Jimmy Blackburn, Director of Operations

Alesha Eisen, the Database Manager

6 Key data sources

A csv file that contains information from 330 resorts in the US that can be considered part of the same market share.

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