

Las vegas visitors case study

Business



Revenue for the limousine service is driven by the amount of visitors to the area. Therefore.

In order to forecast the company's revenue, Denis will have to prepare a forecast for visitors to Las Vegas using different forecasting methods. The best forecast method will be chosen and will help determine the growth of revenue; and ultimately decide whether Dimmitt should replace three vehicles as well as add two additional vehicles to his fleet. Background In 1983, Dumber Merriness and his family fled Romania and settled in Las Vegas.

In order to help his family survive, Dumber had given up ideas of furthering his education and took a job at a major hotel as a parking attendant until he learned to speak English. His incredible attention to detail and friendly interaction with everyone was noticed. Eventually his hard work paid off and he was offered the position as the driver for the hotel limousine service.

After a few years of driving limousines for the hotel, Dimmitt and his friend David, put together all their money and bought their own used vehicle to start limousine service.

Since then, Dumber and David's limousine service has been fairly profitable and is currently one of the best limousine services in Las Vegas, with a fleet of 17 vehicles. In 2012, Dimmitt decided it was time to replace three of his oldest vehicles as well as expand his fleet by adding two additional new vehicles. Dimmitt submitted a business plan to the bank for them to finance his purchases. However, the bank was not comfortable with his revenue forecast. As a result, he asked for help from his son Dennis, an MBA student.

<https://assignbuster.com/las-vegas-visitors-case-study/>

Denis knew that the revenues of limousine services are driven by the amount of visitors to Las Vegas.

Problem Denis has to prepare a forecast for the number of visitors to Las Vegas in order to prove that revenue for Dumper's limousine service will grow in 2013. Analysis Revenue for Dimmitt limousine services is driven by the number of visitors to Las Vegas. In order to predict visitors to Las Vegas in 2013, previous data of visitors to Las Vegas is used along with different analytical business models such as; time series, runs test, regression model, moving average forecast simple, Holt and winters' exponential smoothing forecasts.

Time series gives us an idea about the trends in visitors to Las Vegas.

On the other hand, runs test is used to test the randomness in observation. The runs test in this case shows that the observation is randomly distributed (see runs test in excel document in appendices). Furthermore, a series of forecasts were run using forecasting tools and methods. Forecasting methods such as regression model, moving average, simple, Holt and winters' exponential smoothing forecasts were used in order to determine the future estimated number of visitors to Las Vegas.

These allow us to determine future revenue and support Dumper's decisions to replace vehicles and or expand the number of vehicles. After making a series of forecast, it is decided that out of all the other forecasting methods winters' exponential smoothing forecast is best in determining visitors to Las Vegas.

Winters' exponential smoothing forecast has a lowest absolute error than that of the other forecast methods (see forecasts in excel document in appendices). The trends in the forecast model shows very small growth rates in the amount of visitors to Lass Vegas.

Forecasts also shows that small growth rates are equipped with seasonal highs and lows. The following graphs below are graphs generated from winters' exponential smoothing forecast model. From the Forecast and Original Observations' graph it is noticed that forecast does not deviate greatly from the original. Conclusion & Recommendations In conclusion, it is recommended that Denis use winter's exponential smoothing forecast to forecast the number of visitors to Lass Vegas as this predictive forecast model has the lowest absolute error of all the other forecasts model.

After running forecast models, it is predicted that visitors to Lass Vegas will experience small growth with seasonal highs and lows in the foreseeable future. Dimmitt is seeking financial assistance from the bank to purchase five vehicles; three to replace his three oldest ones and two additional ones. Therefore, since there will be little growth in visitors to the area, I recommend that that Dimmitt only replace his three oldest vehicles and do not purchase two additional vehicles to add to his limousine fleet at the current moment.