

Regal hotel case study essay



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Problem Statement Beginning in 1962, The Island of Guam opened its doors to tourism when President Kennedy lifted travel restrictions to the Island. But it was in 1967 when Pan Am Airways paved the way by bringing passengers from Japan to visit. After rapid growth through the years, in 2007 the tourism industry in Guam had reached its maturity. While visitors to the Island have increased, the occupancy rate for hotels has dropped significantly. The tourism climate had left Regal Carnation Hotel with an opportunity to reinvent or reposition itself among their competitors in Guam.

The Regal Carnation Hotel has many internal issues to overcome as poor customer service, poor management, and poor property upkeep. Overview of Key Issues and Root Causes Vacationers were upset with their hotel experience on the Island of Guam. A number of symptoms were described the reasons to point to poor customer service, bad management, and the property being poorly dated or maintained. It is apparently the owners are investors who are trying to maximize profits in a mature market. The low price strategy equated to low service experience. The Regal Carnation Hotel is classified as a three star property.

The overall issue is declined occupancy rates in a mature tourism market.

Summary of the Case Data

- One of the first indications of the condition of the hotel was the customer reviews on the website were mixed. Some guests cancelled their reservations upon arrival while other suggested choosing another hotel.
- Reservations took three weeks to confirm and prepaid with no refunds. It was competitively priced against other hotels with beachfront.
- The website projected the hotel as more upscale than what it actually was.
- Transportation from the airport to the hotel was forgotten.

The vacationers waited 45 minutes for a car. •The actual lobby was dated and not the lobby shown on the website. •The check in took 25 minutes with untrained staff. •The room was not as described. It was non-smoking which had smoke. The carpet was stained. The air conditioner was not functioning all the time. There were no luggage racks. The bed and pillows not comfortable. •The bathroom smelled and had noises. •Not daily restocking of bathroom and room cleaning. •The breakfast room was self-service. The buffet was not stocked and missing items. •Public areas were dirty and dusty. Housekeeping was inattentive and non-communicative. •Food and beverage was limited. Two restaurants in the hotel were closed. •The car rental booth was a local company had limited selection and high prices. •In hotel shopping offered products at higher prices. •The hotel pool was dirty and smelled of chlorine. No sun umbrellas for protection. •The gym was empty. •Television consisted of two local channels. •The meeting rooms had not been used and had dirt and grime. •The management was not visible throughout the vacationers stay. Chart data from exhibits 1 -7 •Guam tourism from 1963 – 2007 Guam visitors per year from 1966 – 2007 •Product Life Cycle •Guam occupancy Rates 1988 – 2007 •Guam Room inventory 1963 – 2007 •Guam Room prices 1988 – 2006 •Guam Hotels count Analysis of the Issues and Root Causes It is apparent the investors were hands off in the management of the hotel. Basically, the owners were interested as an investment for profit. It is also apparent the hotel has not had capital to upkeep the hotel and or the staff to maintain the grounds. The management is working on limited resources but is accountable for poor service and lack of training.

Company strategy It is upon my belief that the owners/investors want maximum profits with little contribution. Given the strategy of positioning the hotel lower priced by 25 - 30%, undercutting the price and delivering a low end hotel experience was the current position in the market. In the mature market of Guam Tourism, we suggest repositioning itself to increase market share and repeat business. Product Life Cycle This may have worked in the earlier stages but in the mature market, the hotel needs to reposition itself in terms of service and price.

It is misleading to advertise a three star hotel and receive a less than expected experience. The occupancy rate is very low and need to market to new markets. Opportunities •Annual visitors has increased increase by 1. 13 % in 2007??? Check percentage •US government citizens visitations for meetings and conferences •Trend toward customer service excellence •Acquisition or joint venture with a hotel with beachfront •Differentiation in service offered Threats •Trend toward ecofriendly environment •More stores having lower prices for shopping •Tourism industry is currently at maturity Terrorism due to the presence of US military base •Natural disasters.

•Changes in the disposal income due to economic crisis A Proposed solution to the case issues Strategies The company is not capitalizing on the opportunities or avoiding threats. The company needs to establish a vision with a mission statement. Know what the purpose is and where they are going. In using the strengths of the space of the hotel there is plenty opportunity to capitalize on disposable income. Meanwhile, we suggest the following strategies to enhance occupancy rate and revenue. A capital investment is required to upgrade the hotel to at least a three star hotel with

no beachfront. Basically, improving the quality of the hotel. •New management is needed to implement strategies to increase occupancy rate and to increase guest spending at the hotel. •The entire staff needs to be trained for a new culture of customer service. •The hotel can capitalize upon the added services within the hotel, as restaurants, car rental and shopping. Bringing partners in rental agreements to perform the services demanded by guests. It would bring additional cash flow into the operation. Management should see new markets for occupancy. The US military based can be tapped into for r & r spas and resorts. The US business market can be targeted for meetings and conferences. The Japanese market can be explored more in enticing the American experience. The Japanese is logistically close for repeated business. Build an American experience here. The steps necessary for the implementation and control of that solution First the step is getting a commitment from the owner or investors of the Regal Carnation Hotel to be committed to repositioning it in the marketplace. Second, a change in management. More to come.....