

PGDM (IBM), 2019-21
Services Marketing & CRM
INS-304

Trimester – III, End-Term Examination: June 2020

Time allowed: 1 Hrs and 30 Min

Max Marks: 30

Roll No: _____

Sections	No. of Questions to attempt	Marks	Total Marks
A	Compulsory Case Study with minimum of 2 questions	6*5	30
			30

Section A (Compulsory Case Study)

STARK RESORTS: TAKING CARE OF WHAT'S "BUGGING" YOUR GUESTS

Jack Lim, the manager at Stark Resorts, had a pest problem and it was starting to cost him money. The four-star hotel, a US\$155 million investment, had been plagued by insects since its grand opening near Orchard Road, Singapore's premier shopping district, 15 months earlier in November 2017. It was common to find cockroaches in the villas, a typical problem for new constructions. However, treating the problem sometimes caused more issues. For instance, while pesticides would kill many of the cockroaches, there was also the risk that guests could find a dead bug in their room or wake up to find one in their bed.

Any negative feedback could hurt the hotel's reputation. Lim encountered a case where an avid social media influencer, who had stayed in the resort a year ago, was diagnosed with dengue fever¹, which she allegedly caught by the hotel pool. The guest held a bad impression of the resort and had shared her opinion indiscreetly. She had sworn never to return and even dissuaded her friends, family, and social media followers from staying at Stark Resorts.

The negative word of mouth had come full circle to confront Lim and his team. In another instance, one of the board members' wives recently took a taxi to the resort. Along the way, the taxi driver warned her about mosquitoes at the resort as he heard it from a passenger he dropped off a few days earlier.

The company had been vigilant about initiating and overseeing the administration of pest control once a month but their diligence did not seem to solve the issue. They had had numerous heated conversations with their pest control vendor and had even changed vendors, but to no avail.

Hotel employees, when approached with complaints of insects, would profusely apologize and helplessly tell hotel guests that there was little they could do about it – a resort in an eco-friendly environment was bound to have insects. Some staff members would attempt to rectify the problem by sending housekeeping to catch the insects and to spray the room down with insecticide. Without a standard operating procedure, the staff was gradually losing confidence and morale as they tried their best to handle the problem.

Other resorts in the area had pest problems as well, but they did not seem to be experiencing the same reputational damage. Stark Resorts' revenue rate per available room (RevPAR²), a key hotel metric, had fallen 6% over the past six months, while surrounding hotels had seen their RevPAR surge upward by almost 8%. The most common guest complaint at the time of check-out had been the prevalence of insects, and while this property of Stark Resorts did not have a long enough history to determine guest loyalty, loyalty rates seemed much lower than their last two hotel openings.

Lim sat back in his chair and contemplated; the board would not be happy with these performance indicators. His gaze paused on the poster on the wall from the company founder that read, "Every day we must do our best to delight our guest, for it is their delight that creates a satisfied customer and a satisfied customer is our reason for existence." The message renewed Lim's confidence and motivation. It was time to take a different course of action to tackle the pest issue, repair the reputational damage, and gain the loyalty of guests at Stark Resorts.

Assignment Questions

1. Should Jack Lim and Stark Resorts do anything about the problem? Why?
2. Is killing the bugs the only thing Lim needs to do?
3. What is wrong with Stark Resorts' current approach to the pest situation?
4. Is loyalty important? How does it affect the revenue rate per available room?
5. What steps would you advise that the company take to limit the nuisance?
6. How would you begin to repair their image?

¹ Dengue fever was a tropical disease caused by a virus carried by the Aedes mosquito.

² RevPAR was calculated by multiplying a hotel's average daily room rate by its occupancy rate.