





SUITE SUCCESS

FOR RITZ-CARLTON, WHITE GLOVE SERVICE ISN'T JUST
A PLUS, IT'S ESSENTIAL TO THEIR BOTTOM LINE.

by CHRIS WARREN

When Steve Jobs was in the throes of conceiving how the now iconic Apple Stores would look and function, he opted to go beyond the computer industry for inspiration. Determined to deliver the sort of unrivaled customer experience that makes consumers loyal advocates of a brand, Jobs and his executive team quizzed people at the company's Cupertino, Calif., headquarters about the very best service they'd received. Over and over again, the same answer popped up: Ritz-Carlton hotels.

As it's recounted in *Steve Jobs*, Walter Isaacson's biography of the Apple founder, the company quickly decided to send those it had tapped to be Apple Store managers to be trained at the Ritz-Carlton Leadership Center, which is now run by company vice president Diana Oreck. The result went beyond the basic tenets of Ritz-Carlton customer service, which dictate that employees are to fulfill "even the unexpressed wishes and needs of their guests." In fact, one idea that emerged from the training sessions was to pattern Apple Store's so-called Genius Bars after Ritz-Carlton concierge stands.

Clearly, when one of the most incisive and visionary minds in the history of business decides to follow your lead on customer service, you're doing something right. But don't just accept Apple's word that treating customers the way Ritz-Carlton does is a savvy strategic decision. Just look at what the approach has meant for the hotel chain itself, especially when it comes to fostering guest loyalty.

Indeed, for the past four years Ritz-Carlton has earned the top spot in the luxury category of J.D. Power's North America Guest Satisfaction Index Study. Additionally, last year the Luxury Institute awarded Ritz its Platinum Seal of Customer Approval certification, which is bestowed on companies when at least 86 percent of their customers are willing to recommend the brand to their peers. Ritz-Carlton is also the only hospitality company to garner two prestigious Malcolm Baldrige National Quality Awards, which recognizes exceptional customer service among its various metrics. It was the hotel's second Baldrige win that spawned the creation of the Ritz-Carlton Leadership Center, which opened in 2000 and has since provided training to executives in a wide variety of industries, including healthcare, automotive, and wealth management.

However nice, great customer service isn't about winning awards. It's ultimately about revenue and profits, though Oreck insists the two are interrelated. Although Ritz-Carlton won't reveal how much it spends to achieve such high levels of customer service, Allison Sitch, the company's vice president of global public relations, says the goal is to create "fully engaged" guests. Nor is that phrase just a term of art. According to Sitch, Ritz-Carlton has Gallup survey its guests each month to determine whether they are fully engaged, as opposed to just somewhat engaged. To meet the fully engaged definition, guests must give Ritz-Carlton the highest grade possible when answering questions about:

- How likely they are to stay at a Ritz-Carlton again
- The likelihood they will recommend Ritz-Carlton to others
- Their level of satisfaction with their entire experience at Ritz-Carlton

WHETHER THEY CAN IMAGINE A WORLD WITHOUT RITZ-CARLTON

"Our threshold for success is if a guest is likely to talk about their wonderful experience to friends and recommend us," says Sitch. "We know that 100 percent of our fully engaged guests do that." There are tangible results to creating extremely satisfied guests. Indeed, Sitch says fully engaged guests — and half of all of customers surveyed fall into that category — book an average of 6 percent more of their nightly luxury hotel stays at a Ritz-Carlton property than those who rank

as engaged guests. Or, as Oreck puts it, "when customers are satisfied, they spend more money."

There's a wider implication to Ritz-Carlton's strategy — as part of the Marriott portfolio — of stressing great service in order to boost guest satisfaction and revenue. In Marriott's 2013 annual earnings report, the company flatly states the importance of great service to its overall recipe for success. "Our brands remain strong as a result of skilled management teams, dedicated associates, superior customer service with an emphasis on guest and

associate satisfaction, significant distribution, our Marriott Rewards and The Ritz-Carlton Rewards loyalty programs, a multichannel reservations system, and desirable property amenities." If Ritz-Carlton were to fall short with its service as a competitive advantage strategy, Marriott would feel the pain on its balance sheet.

Judging by Marriott's 2013 results, Ritz-Carlton is doing just fine. As a company, Marriott's revenue per available room (RevPAR), the basic industry metric for success, increased 4.6 percent in 2013 and its average daily rates were up by over 3 percent. For its part, Ritz-Carlton North America's RevPAR was up nearly 9 percent in 2013 and, at \$323.83, its average daily room rate was up 6.6 percent.

A COMMITMENT TO THE EXTRAORDINARY

As current president and chief operations officer of Ritz-Carlton, Herve Humler often finds himself in the sky, en route to visit one of the 86 properties the company operates around the world. This gives Humler the chance to read some of the hundreds of letters guests write to him about their experiences at a Ritz-Carlton. In an interview with *Global Traveler*, Humler revealed the details of a memorable epistle. "In Dubai, for example, a Ritz waiter overheard a gentleman musing with his wife, who was in a wheelchair, that it was a shame he couldn't get her down to the beach," Humler said. "The waiter told engineering, and the next afternoon there was a wooden walkway down the beach to a tent that was set up for their dinner. This attention to detail is not unusual at a Ritz-Carlton, but it is unique in the industry."

It's also a good example — and there are many others — of how employees at Ritz-Carlton strive every day to do something that customers will remember for the rest of their lives. It's a goal that Humler wants all employees to share. "You have to create the memories, you have to create the wow," Humler said in a separate



interview. “We call that the ‘wow story.’ You have to touch on the emotional element with the customer and do something they will always remember.”

The way Humler sees it, the customer service component of the business is actually the hardest. While it’s always essential to build beautiful hotels in the most desirable locations, the interactions between employees and customers is what will determine whether guests return. “Anyone can build a beautiful property, but it’s how you bring it to life that makes the difference,” Humler told *Global Traveler*. “Our culture is built on trust and empowerment of employees, allowing them to act on their own initiative to create special memories for our guests.”

TRUSTING EMPLOYEES TO DELIGHT GUESTS

As Humler makes clear, Ritz-Carlton employees are key. But cultivating the sort of people who will go to incredible lengths to “wow” customers requires a big commitment. On average, Ritz-Carlton employees receive between 280 and 350 hours of training per year. This includes courses on everything from basic etiquette to problem resolution to the importance of what’s known as anticipatory service — referred to in the company as having “radar on, antenna up.”

While training is essential, so too is the need for employees to recognize that they are empowered. To that end, every employee at Ritz-Carlton is permitted to spend as much as \$2,000 a day per guest to, as Oreck calls it, “delight or make it right” without seeking a supervisor’s approval. That’s why a wooden walkway appeared on a Dubai beach overnight.

While there are occasions when employees use the allotted \$2,000, Oreck says the money is more about sending a message to Ritz-Carlton employees that they matter. “It is symbolic,” she says. “It’s that we trust our ladies and gentlemen to do the right thing.”

MUSCLE MEMORY AND A SENSE OF PURPOSE

Like a lot of companies, Ritz-Carlton’s dedication to customer service is detailed in its foundational documents — known collectively as the Gold Standards — which include the company’s motto, “We are ladies and gentlemen serving ladies and gentlemen.”

But nice-sounding words can easily be forgotten. To understand how they animate the company culture, take a close look at how each of the 35,000 Ritz-Carlton employees starts their day. Whether it’s the general manager or a housekeeper at a hotel or the chief financial officer at their corporate



headquarters, all Ritz-Carlton employees begin their shift with what’s known as the daily lineup. Organized by department and led either by a supervisor or one of the employees, the daily lineup lasts between 10 and 15 minutes and is an opportunity for colleagues to plan the day and share stories about both their successes and challenges.

But it’s more than just knowing the Gold Standards cold. Oreck says that the requirement to start each work shift with a daily lineup is an unmistakable reminder about how great service is mission critical at Ritz-Carlton. “Let me put it into perspective,” she says. “Next time you are traveling on a plane, what if the pilot said, ‘OK, I’ve decided not to do the pre-flight checklist.’ The daily lineup is that important to us.”

The daily lineup is also a time to remind employees about something even more essential: why they come to work. Most of us need to feel that the tasks we perform each day — some of which can be repetitive and monotonous — serve a bigger purpose. At Ritz-Carlton, the purpose of each job is a frequent topic of conversation. “The housekeeper’s function is to clean rooms and toilets each day, but the purpose is to create a home away from home,” says Oreck. “Are you a bricklayer or are you building a cathedral for God? That’s a very different lens. Building a cathedral for God gets me out of bed.”