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The Ritz-Carlton Experience

The customer is never wrong!

CÉSAR RITZ



Over a hundred years ago, a herdsman's son from a family of 13 began working in the hotel industry. While learning his craft, he was fired from various jobs and was even told by one employer that “in the hotel business you need an aptitude, a flair—you haven't a trace of it.” From those humble beginnings, the “hotelier of kings and king of hoteliers” César Ritz completely revolutionized the luxury hotel industry. Starting with The Ritz Paris and The Carlton in London, César Ritz emphasized the guest experience, created opulent physical environments, innovated hotel design, produced settings of uncompromising quality, and established what have become the gold standard for luxury and the epitome of service excellence. His marks of distinction have found their way into our lexicon with descriptors like “ritzy” and “putting on the ritz.”

Yet, against this backdrop, and with significant attention from the *Harvard Business Review*, *BusinessWeek*, *the Wall Street Journal*, and other business periodicals, there has never been a book written about The Ritz-Carlton Hotel Company. When I approached its current leadership about providing business readers with a

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behind-the-scenes look into the company inspired by César Ritz, I was met with the welcoming spirit that has made Ritz-Carlton an icon. I have spent the better part of a year examining the greatness and occasional missteps of the leadership of The Ritz-Carlton Hotel Company. I've met with employees (whom they call “the Ladies and Gentlemen of the Ritz-Carlton”) at all levels of the company, and I have traveled to their U.S. properties as well as to dynamic international locations such as Singapore and Dubai.

The New Gold Standard reveals the specific leadership behaviors that produce Ritz-Carlton's exemplary corporate culture, exceptional staff empowerment, and extraordinary commitment to its customers. But before we dive into the leadership mechanics of Ritz-Carlton and what you can learn from its unwavering commitment to excellence, let's look at some of the company's prominent achievements.

📖 Every Legend Starts with a Great Story 📖

While the Ritz-Carlton history has roots in European aristocracy (see the sidebar “The Life of César Ritz” for detailed information on the background of the company), much of the story begins after César Ritz's death in 1918 when his wife Marie permitted use of the Ritz name on acceptable properties in Europe and the United States. Developer Albert Keller later created the Ritz-Carlton Investing Company and franchised the Ritz-Carlton name for hotels he constructed in the United States. In 1927, Keller opened The Ritz-Carlton, Boston, and he later built hotels in New York City, Atlantic City, Boca Raton, Philadelphia, and Pittsburgh.

In many ways, The Ritz-Carlton, Boston, represented the best of the Ritz-Carlton brand in the United States through its attention to detail, practical innovation, and creation of an unrivaled customer experience. Built in response to the mayor of

The Life of César Ritz

César Ritz was born in 1850 in the Swiss village of Niderwald. At age 12 he was sent away by his parents to learn mathematics and French—which he did with limited success. Lacking a clear direction for his life, his peasant farmer father paid 300 francs to an acquaintance in a nearby town to train César to become an apprentice winemaker.

Initially struggling in the hotel industry, César Ritz developed his hotelier skills by working at premier hotels in France, England, and Switzerland, but he aspired to own his own property. Having worked at a poorly run hotel fraught with double-bookings and luggage-handling problems, Ritz stated, “I did what I could to pacify the clients, but ultimately I learned the essential attribute of business: diplomacy.”

After a decade of managing the summer season at the luxurious Grand Hotel National in Lucerne, Switzerland, César Ritz became the general manager of the Grand Hotel in Monte Carlo, where he met the master chef Auguste Escoffier.

Together Escoffier and Ritz opened a restaurant in Baden-Baden, which led César Ritz to be selected to manage the newly opened Savoy in London. Customers at the Savoy urged Ritz to open a hotel in Paris. With help from Alexandre-Louis Marnier-Lapostolle (who was indebted to César Ritz for suggesting the name Grand Marnier for the liqueur that Marnier-Lapostolle had invented), Ritz purchased a mansion in Paris and spent two years preparing it to be his 210-room hotel. The Ritz Paris hotel opened in 1898.

By the time of The Ritz Paris opening, César Ritz had a controlling interest in nine other restaurants and hotels including the Carlton in London.

In June 1902, César Ritz suffered an emotional collapse. Although he was involved in planning the London Ritz, which

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opened in 1905, he was not able to return to his business. His eventual successor was his son Charles.

Yet even though César Ritz's tenure at the helm of his own hotels was relatively short, he is credited with influencing luxury hotel design and service standards that persist to this day.

Boston's call for a world-class hotel, The Ritz-Carlton, Boston, leveraged the reputation of the Ritz properties in Europe and delivered a regal hotel to an emerging high society in Boston, opening with a room rate of \$15. Through the years, The Ritz-Carlton, Boston, defined the American luxury hotel experience by providing uniformly clad wait staff, private baths in all guest rooms, and small lobbies for a personal guest greeting place.

Ritz-Carlton sales revenues have nearly doubled in the past several years, from \$1.2 billion in 1998 to \$3.0 billion in 2007. Additionally, the company continues to accelerate its global growth plan and focuses on a strategy that includes the reinvestment of more than \$1 billion in upgrades and renovations. Despite these financial accomplishments, the Ritz-Carlton brand has not always maintained a steady level of fiscal success.

Following the New York Stock Market crash in 1929, American and European hotels carrying the Ritz-Carlton name faced financial collapse and closure. In fact, with the exception of The Ritz-Carlton, Boston, all Ritz-Carlton hotels in the United States were closed. The market's difficulties derailed the well-crafted strategy that had brought Ritz-Carlton the loyalty of the world's wealthiest and most influential clientele. As the company's traditional customer base experienced a great loss of wealth, the leadership at the hotels had difficulty filling the sumptuous dining halls and elegantly appointed suites. Even hotels that survived through much of the crisis were facing challenges to operate, much less maintain, the standards of luxury that guests had come to expect from Ritz-Carlton.

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During these difficult times, Keller went to great lengths to keep the Boston hotel open. In one instance, he tried to mask the low occupancy at his hotel by turning on lights in unoccupied rooms prior to a visit from his wealthy father. Keller hoped that the deception would enable him to convince his father to loan him the money he needed to keep the hotel operational.

The economic challenges of the Ritz-Carlton brand and other hotels in the luxury category continued throughout World War II, as occupancy rates remained low in the face of global uncertainty. In fact, during the war, a number of these hotels' large meeting spaces in Europe and the United States were taken over for military planning and staging.

Post-World War II and the Rise of the Ritz-Carlton Business Traveler

While much of the early success of the Ritz-Carlton brand was linked to the leisure and social lives of the world's most affluent individuals, the post-World War II economy saw the emergence of international business travel. In fact, during a portion of the time that César Ritz's son Charles served as chairman of the board of the Ritz-Carlton Management Company, 70 percent of registered guests at the London hotel his father created were Americans staying on corporate accounts.

With international business expansion, Charles Ritz engaged another round of brand extensions through controlled leasing agreements with properties in locations such as Lisbon, Madrid, and Rome. As evidence of the Ritz family's commitment to excellence, the Ritz-Carlton Management Company sued the Rome hotel owner for failing to live up to exacting company standards. It is even reported that during the week Charles Ritz died in 1976, he was still actively identifying quality improvement needs to the staff at The Ritz, Paris. Passing from the perfectionism of César Ritz, through the dogged efforts of his son Charles, and into the passion for excellence of modern-day

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leadership, their legacy has continued to inspire the delivery of the highest levels of luxury to customers.

From Atlanta to Marriott

The history of The Ritz-Carlton Hotel Company, as it is now known, follows its leadership from Atlanta, Georgia, to Chevy Chase, Maryland. In 1983, the Atlanta-based real estate developer William B. Johnson, known for his construction of Waffle Houses and Holiday Inns, was working with a group of veteran hoteliers in the development of a network of luxury properties to be called the Monarch Hotels. One of these founders, Ed Staros, notes that the Monarch Hotel Group bought the rights to use the Ritz-Carlton name in the United States and also purchased The Ritz-Carlton, Boston, for an estimated \$70 million. According to Ed, “Given the small amount of marketing dollars we had available, our leadership team realized that it would take a long time for us to develop a reputation for luxury excellence, but if we could work within the context of an established and respected brand, we could expedite the timeline.”

Johnson soon placed the corporate leadership responsibility in the hands of the inspirational and dynamic president Horst Schulze, whose charismatic leadership style helped The Ritz-Carlton Hotel Company grow from 4 U.S.-based hotels in 1983 to 40 properties around the world in 2000. However, in spite of Horst’s steadfast leadership, an economic downturn from the 1980s cut deeply into the hotel industry with magnified effects on the Ritz-Carlton, given its aggressive expansion (eight new hotels in 1990 alone). At one point, Horst acknowledged that the company was in default on a loan for \$70 million and that it would need to restructure other debts.

After a series of similar financial challenges and crises, Marriott International purchased a 49 percent stake in Ritz-Carlton in 1996. Today The Ritz-Carlton Hotel Company is a wholly owned subsidiary of Marriott International, and the parent com-

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pany has given the brand access to vast economic and support resources. Yet despite this change in ownership—as well as the relocation of the corporate offices to Chevy Chase, Maryland—Ritz-Carlton’s leadership and management culture has remained strikingly autonomous and independent.

Even with its early history of financial difficulties, The Ritz-Carlton Hotel Company has grown as of January 2008 to manage 72 hotels worldwide. Approximately half of the Ritz-Carlton properties are in the United States, and the other half are in business and resort locations such as China, Egypt, Indonesia, Russia, and South Korea. By the year 2011, Ritz-Carlton is poised to have 100 hotels worldwide. The company is also experiencing additional growth in new product lines including its Residences, Clubs, and other fractional ownership properties, and it is also widening its global footprint in emerging markets such as India.

Names and Faces May Change, but Quality Endures

Facing struggles, stumbles, and transitions, Ritz-Carlton’s leadership has been steadfast in its commitment to service and quality. Even during some of the financial challenges of the business’s life cycle, Ritz-Carlton continued to be recognized across multiple industries for its consistent excellence. While many leaders would have taken a defensive position during economic threats—allowing cost containment to cut deeply into the level of products and services delivered—the leadership at Ritz-Carlton set out to benchmark its practices against the most quality-driven companies. They did this by measuring and improving quality through the Malcolm Baldrige Quality Award evaluation process, a program that allows businesses to benchmark against other recognized “world-class” leaders.

Ed Staros, one of the original group in Atlanta that developed The Ritz-Carlton Hotel Company, notes, “I remember in the late eighties there were economic concerns, and other hotels

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were doing things like cutting out mouthwash and changing the flower arrangements. Horst Schulze was adamant always that we weren't going to cut costs and maintain any lasting success. Just because the economy was bad, it didn't mean the guest didn't want mouthwash. Rather than cutting back, we wanted to become more efficient and even improve our product through total quality management. If you're a widget factory and there are 20 steps to make a widget, and you study your business with a systematic approach to improving quality and you figure out you can make a better widget in 18 steps, all the better. Essentially, that was our quest, to not cut corners but to become more focused and to get the maximum quality through efficient processes."

Through a willingness to be routinely audited by representatives from world-class businesses and a commitment to continually rework quality processes, Ritz-Carlton became the first company to twice win the prestigious Malcolm Baldrige National Quality Award in the service category. Harry S. Hertz, director of the Baldrige National Quality Program, National Institute of Standards and Technology, puts the significance of the award in context by explaining: "Over the 19-year history of the Baldrige program, there have only been four two-time recipients of the Award. In every case [these companies] created sustainable organizations. Using the Baldrige Criteria, they significantly expanded their businesses from their first Award to the second, they were able to be more prudent in their customer or market selections, and they strengthened their strategic position for the future. They are true role models for the United States."

Additionally, leadership has positioned the company to receive every major award bestowed in the hospitality industry and by the leading consumer organizations. Ritz-Carlton properties have consistently been honored with Mobil Five-Star Awards, AAA Five Diamond Awards, and various forms of Best Hotels of the World status from *Condé Nast Traveler* and *Travel* +

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Leisure magazines. Travel industry expert Jim Strong, CTC, ACC, president of Strong Travel Services Inc. in Dallas, Texas, and author of the book *Craving for Travel*, says, “I think the significance of Ritz-Carlton in the overall market is that they have raised the bar. They continually put the competition on notice that they are out there and are going to perform the best they can, above and beyond what the competition is doing and that they are always going to be a leader in the industry.”

On top of winning accolades for individual hotel properties, Ritz-Carlton has received countless forms of recognition, including being ranked highest in guest satisfaction for luxury hotels in the J.D. Power and Associates 2007 North America Hotel Guest Satisfaction Study; a *Consumer Reports* designation as the No. 1 luxury hotel company in all areas, including service, upkeep, problem resolution, and value, and the distinction of being the Luxury Institute’s Most Prestigious Luxury Brand. Routinely, Ritz-Carlton ranks as one of *Fortune* magazine’s Best Service Providers. It has also been ranked highest in customer satisfaction among luxury hotels in the Market Metrix Hospitality Index (MMHI), and, in publications like *Travel Weekly*, it repeatedly wins reader polls as best luxury or upscale hotel. Culinary awards such as the Mobil Five-Star and AAA Five Diamond recognitions for such restaurants as The Dining Room at The Ritz-Carlton, Buckhead, in Atlanta are far too numerous to mention.

What started as a simple commitment to share best practices in developing a “world-class” quality organization (a condition of winning the Malcolm Baldrige Award) has turned into a full-service leadership and corporate training arm of Ritz-Carlton, named The Leadership Center. Approximately 50,000 individuals representing companies throughout the world have participated in leadership training since the inception of the program in 1999. Among notable competition, the Ritz-Carlton Leadership Center was named the best global training company in February 2007 as ranked by *Training Magazine*.

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Despite the accolades, leadership at Ritz-Carlton faces the same stumbling blocks you encounter daily in your business. As evidenced by examples throughout this book, the greatness of leaders is tested most in times when their company is most vulnerable.

﴿ What's in It for You ﴾

From the modest background yet powerful vision of César Ritz, through economic highs and lows, leadership at Ritz-Carlton has successfully maintained a disciplined focus on respect for staff, quality improvement, brand repositioning, corporate adaptivity, cultural consistency, and unparalleled service excellence. As such, Ritz-Carlton has earned international respect as a benchmark for corporate culture, development of ultimate customer experiences, consistent product excellence, and an empowered workforce.

So what does Ritz-Carlton have to teach you? While many readers will be drawn to this book through their loyal connection to the brand, others may have an awareness of the company only through something Ritz-Carlton leaders refer to as its “mystique.” Some may be looking for a book simply to help them position their goods or services in relation to the explosive market of luxury products or the luxury lifestyle. Yet others may have an interest in using the book to help their staff better understand “the art of anticipation” built into the Ritz-Carlton service approach.

The New Gold Standard represents a follow-up to my book *The Starbucks Experience: 5 Principles for Turning Ordinary into Extraordinary*. Where Starbucks leadership took an ordinary product like coffee and significantly added value by staging it in an environment of affordable luxury, Ritz-Carlton has elevated the luxury experience to a true art form.

The New Gold Standard is primarily intended to help managers, owners, and leaders understand the driving principles,

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processes, and practices that have generated unusual staff loyalty, world-class customer engagement, and significant brand equity for Ritz-Carlton. However, it also provides perspective on those same principles from the viewpoint of front-line workers (both customer facing and non-customer facing), customers, and other stakeholders. Whether you wish to attract, hire, and retain the “right” employees for your business, or you are interested in producing transformational customer experiences, or you are looking for ways to maintain the relevance of your product and service offerings, *The New Gold Standard* shares the wisdom of Ritz-Carlton’s leadership. Ritz-Carlton leaders are responsible for stewarding an icon in the luxury market, through a constant quest for excellence, to continue its success in a changing global economy and with changing customer needs. Even in areas of international growth, succession planning, finding the best location for your business, or determining meaningful quality enhancements, Ritz-Carlton offers a rich tapestry of leadership successes and breakdowns that can help you shorten your path to greater success.

Of course, one challenge in writing a book about a company like Ritz-Carlton is to avoid the perception that leadership at Ritz-Carlton can do no wrong. I have heard striking examples to the contrary, including one hotel that was designed and constructed such that the swimming pool is located in the shade for much of the day. How does such a thoughtful planning and design team produce that outcome?

Then there are the little things, like the process of introducing a new Ritz-Carlton writing pen. Brian Gullbrants, vice president of operations, explains, “Our company has been using the same pen for a long, long time, and frankly it did not look as good as some of the ones used by competitors. So senior leadership decided to produce a new pen, and we had people try out a number of them. It didn’t take long for us to choose one. We had the pens produced and sent them off to a new hotel opening. While I was at a meeting at that property, the tip of my new pen

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fell off, and I looked at Ron, our vice president of purchasing, and said, ‘We have a problem.’ As you might guess, mine was not the only pen with the problem. Now that we had already introduced the new pen, we had to go back to the supplier and the manufacturer; we needed to rethink everything. So we recalled the pens. It was a mess. We made a mistake. We didn’t do enough homework. We thought we had; we had all the right intentions of rolling out a new and improved product, but it wasn’t tested or piloted and that was one of those quick decisions where we cut a corner on quality by thinking it was just a pen.”

Leaders at all levels can learn not just from the company’s best practices but from the mistakes and recoveries that have ultimately strengthened the success principles that Ritz-Carlton follows.

📖 The Making of a Legend 📖

So what is at the essence of this iconic company? What is the Ritz-Carlton experience? While the answer reflects some variability based on the source you ask, there is a striking consistency of opinion.

For Robert E. Watson, managing director of Protravel International, Inc., the experience is characterized as “service value. What sets Ritz-Carlton apart is its service. Ritz-Carlton partners with us in the travel industry to get the most for our client. If we don’t perform the service together, if we don’t get that little extra something for the client, if we don’t come up with that nugget, that little bit of something new, what would a client need us for? People are spending a lot of money today. And they don’t mind spending it, provided they get value for their dollar. In today’s world, however, value doesn’t always match price. The experience at Ritz-Carlton is true value for us as travel partners and for our clients.”

For community agency partner Colleen T. Brinkmann, chief marketing officer of the North Texas Food Bank, the Ritz-Carlton

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experience “is like a Lexus—they set the standard in their industry. But through their volunteer efforts with us, I would say the experience is very personal, very real, and colorful, but above all else respectful and gracious, even to the point of their Ladies and Gentlemen thanking us for providing them with the opportunity to participate in volunteer service.”

Ritz-Carlton general manager Tony Mira describes the Ritz-Carlton experience as “a Wow experience, like no other. It’s one that you walk in and you know, whether you’re a guest or an employee, that you are going to be treated like nowhere else in our industry. It’s taking the genuine care and comfort of our guests to the highest level. That, to me, is the Ritz-Carlton experience.”

Maybe the best way to demonstrate the unique value proposition achieved by Ritz-Carlton is to offer an example from a family that happened upon empowered Ritz-Carlton staff. Natalie Salazar, age 12, was a champion figure skater who began noticing pain in her legs while preparing for a regional competition as a step toward the Olympics. While originally thinking it was joint inflammation, the condition was ultimately diagnosed as a type of cancer known as *osteosarcoma*. Her chemotherapy treatments were unsuccessful, and at age 13, Natalie was told she was going to die. Her biggest regret was that she would never be able to go to her high school prom. Natalie’s eighth grade teacher, Mrs. Lewis, attended the same church as Laura Gutierrez, area director of human resources at The Ritz-Carlton, Dearborn, where Natalie’s story was told. Laura and the Ladies and Gentlemen at Ritz-Carlton rushed into action. Laura described Natalie’s special night:

“We hosted Natalie’s Prom in our ballroom, and it was attended by 18 classmates and 7 of her championship ice skating team members. Our audiovisual technician was the disk jockey, our IT technician was the photographer, our banquet director provided security, and everyone pitched in to make this an extra special event. Our convention service team put pin lights up and laid a dance floor, and our business center put together a PowerPoint

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presentation with pictures of the kids from kindergarten to eighth grade, complete with some drawings Natalie's former kindergarten teacher had provided."

Laura goes on to add that "our team hosted a grand prom complete with Prince Charming who guided her down the red carpet to Natalie's favorite song 'Sweet Escapes.' There, she danced the night away with Prince Charming. What an emotional night for everyone. The best part was she smiled the entire night, she danced every dance, she ate all of her favorite foods (salami, cheese and vegetables, and lots of ice cream). She limboed, hula hooped, chicken danced, Hustled, and led the train around the room. Parents joined the celebration at 10:30 p.m. just before Prince Charming turned into a frog. The kids had so much fun they didn't want the night to end. After a tearful good-bye, Princess Natalie was led to her waiting chariot for much-needed rest at home. She commented as she drove away, 'Tomorrow I'm off to the hospital for some tests. I can't wait to tell them all about this.' And she did just that."

According to Laura, "The buzz around the hotel was incredible. We were in fact making a difference in a child's life, and in the lives of her parents and teachers who for one full year have worried about Natalie, supported her, and cared for her." Natalie's father said, "We are immigrants to this country and have no family here. When Natalie became ill, we didn't know what we would do. But Natalie's teachers and friends and the staff at Ritz-Carlton became our family." Natalie's mother added, "I've been blessed with many friends, but I didn't know there were such wonderful and caring hearts as we've found with everyone at Ritz-Carlton."

Natalie was only 13 when she lost her battle on Thursday, September 20, 2007. The seamstress at Ritz-Carlton who had made Natalie's prom dress also made the dress in which she was buried. In Natalie's honor, Laura and the staff of Ritz-Carlton commemorated what would have been Natalie's fourteenth birthday on October 22, 2007, complete with the cake Natalie had

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described to Laura the evening before her death. Laura continues to keep in touch with Natalie's parents. While many other companies support members of their community, the Ritz-Carlton culture of service routinely delivers caring such as that provided to Natalie's family.

From my perspective, the Ritz-Carlton experience is reflected in leadership committed to unrelenting quality, respect for all that the company's staff encounters, and oddly enough, also a great spirit of candor. As a result of this candor, I have identified five core business principles that I will use to structure your behind-the-scenes examination of the company. This inside look reveals the ideals that fuel the consistency and greatness of this legendary organization. Each principle presented in the following chapters not only offers insight into service, hospitality, and creating a luxury lifestyle experience but also provides opportunities to increase excellence in *all* aspects of business and personal life. Through dedicated adherence to these principles, everyone can elevate his or her business to the Ritz-Carlton gold standard. *The New Gold Standard* reflects both intuitive and counterintuitive aspects of leadership, which may be fairly easy to comprehend, yet far more difficult to master. It is my belief that constant and steadfast focus on these Ritz-Carlton principles will result in your developing and maintaining the new gold standard for your industry.

Specifically, the principles are these:

1. Define and Refine
2. Empower through Trust
3. It's Not about You
4. Deliver Wow!
5. Leave a Lasting Footprint

These guideposts, while inspired by the journey and leadership of Ritz-Carlton, have application across all industries and

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geographical boundaries. They reflect an opportunity for you to strengthen and touch the lives of your staff, teams, customers, shareholders, community, and the bottom line. In the words of César Ritz, “People like to be served, but invisibly.” Whether it’s through washing bed linens or creating an international strategic plan, these principles can ground you to your invisible power as you fully serve staff and customers alike. Let’s explore each of these principles derived from the Ritz-Carlton *New Gold Standard* to maximize your ability to drive relevance, quality, and, of course, world-class service, throughout your business and personal life.