Luxury Redesigned: How The Ritz-Carlton Uses Experiential Service Design to Position Abundance in Times of Scarcity

by Natalie W. Nixon and Alison Rieple

This is a narrative about an organization that has redefined itself in the face of change, using structures and systems to enable fluidity and flux. It is an evolving
organization that has freed up its focus on operations to pay more attention to experiential service delivery. The Ritz-Carlton no longer sees itself as a “hotel company”; it now considers itself an “experience and memory creator.” The issue we address is this: How does a luxury organization adapt to changing definitions of luxury, and what systems are in place to allow it to adjust?

One way of understanding emergent properties and adaptive systems is through chaordic systems thinking (CST). The chaordic view of an organization studies the balance and flow between the firm’s structures and frameworks (order) and the emergent creative self-organizing among employees (chaos). Viewed through the lens of CST (Hock, 2005; van Eijnatten and van Gallen, 2002), the qualitative research undertaken for this article examines The Ritz-Carlton as an evolving organization that has reevaluated its service design processes in order to deliver more experientially based employee and customer engagement (see Figure 1).

The data used consist of more than 50 interviews with Ritz-Carlton management, frontline staff, and consultants to the company. It also includes onsite visits and extended observation at eight Ritz-Carlton properties and the corporate office.1 An emerging subtext within the qualitative research data was that the chaordic frameworks The Ritz-Carlton uses have delivered meaningful value within the changing definition of luxury that presented itself to the company as the result of the economic recession in 2008. The Ritz-Carlton’s chaordic frameworks make adaptation to those changes possible.

The results also revealed that the duality of narrative and story (Boje, 2008) are at work in the evolution of The Ritz-Carlton as an organization.

**Preparations for a new reality**

The Ritz-Carlton has evolved by implementing rigorous self-analysis based on institutional structures, working in tandem with creative customer-experience management. The hotel began reevaluating its service design in 2001, well before the global recession in the latter half of 2008 made its full impact. There were several moments that served as catalysts, prompting The Ritz-Carlton to shift from its status as a formally structured organization with a centralized hierarchy and delivery of consistently high-quality operations. Instead, it became an emergent organization that extended those systems to encourage self-organizing among employees as well as customized hotel design. The catalysts included (a) new leadership; (b) changes in the competitive landscape, and a corresponding redefinition of the targeted customer; (c) adjustments in the mode of service delivery, aimed at achieving optimal guest engagement; and (d) continuous adaptation to a new luxury landscape (see Figure 2). These moments fortuitously positioned The Ritz-Carlton to be more flexible and adaptive for the recession in 2008: It could embark upon new mapping required for the luxury

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1. Those consultants include Team One, the brand and advertising strategists for The Ritz-Carlton, and the Gallup Organization, the organizational behavior research firm that assisted The Ritz-Carlton with redesigning some of its customer resource management systems.
landscape and engage a consumer with new purchasing motivations.

Credit needs to be given to an organization that was particularly operations oriented and yet was able to delve into the more intangible realm of experience creation. In essence, structures were put into place that allowed for creativity to blossom. A service values model became more important as The Ritz-Carlton branched out to different types of products (hotels, residences, clubs, and “reserves”) and as it expanded internationally. In this more complex version of itself, The Ritz-Carlton needed to allow for autonomy and consistency on the property level, and on the frontline level. The old Ritz-Carlton was quite prescriptive; the new Ritz-Carlton created systems and structures that allowed for anticipatory service and for the staff to act as artists, improvising and rebounding off of structural boundaries per their own assessment of guests’ needs.

**CST and chaordic systems**

The Ritz-Carlton’s evolution can be operationalized through the lens of CST. A chaord is defined as “any self-organizing, adaptive, non-linear, complex organism, organization or community whether physical, biological or social, the behavior of which harmoniously blends characteristics of chaos and order” (Hock, 2005, p. 13; van Eijnatten and van Gallen, 2002). The chaordic lens is an approach to designing a complex organizational system; indeed, CST is an outgrowth of the literature on complexity in organizations (Stacey, 1996).

With more than 80 properties around the world, communicating in more than 17 languages, The Ritz-Carlton is certainly a complex system. We have identified several chaordic frameworks at The Ritz-Carlton: systems that allow employees to creatively self-organize and problem-solve in order to emotionally engage the customer (see Figure 3). These frameworks are systems that enable the hotel to redesign abundance and luxury for a more competitive and rugged landscape. They include structures such as scenography, lateral service, the application of story among employees and customers, and cultivating the art of anticipation. Systemic interaction often leads the system to spontaneous self-organization (e.g., the “wow” stories mentioned in Figure 3), and learning takes place via feedback (e.g., the Mystique system seen in Figure 3).

The chaordic lens enables one to see the organization as an

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emergent, complex, dynamical, non-linear entity in which order (structure and framework) and chaos (e.g., creative self-organizing among employees) coexist (Fitzgerald, 2002; van Eijnatten and van Gallen, 2002; Waffler, 2004). Attempting to understand the organization as chaordic means that one accepts that chaos and order are two aspects of the same reality (Fitzgerald, 2002). The workings of a hotel are chaordic: the staff sometimes work in small groups, at other times individually, and at still other times collectively, across functional areas in larger groups, shifting back and forth between continuous, linear paths and nonlinear, spontaneous ones, as can be seen in Figure 2.

The Ritz-Carlton’s adaptation to the new luxury landscape has been possible due to its embrace of adaptive chaordic frameworks.

<table>
<thead>
<tr>
<th>Framework</th>
<th>Description</th>
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</thead>
<tbody>
<tr>
<td>Lineup</td>
<td>A daily “huddle” style meeting of each department, at every hotel around the world, sharing stories of success and failure in customer engagement.</td>
</tr>
<tr>
<td>WOW stories</td>
<td>A story that reflects an employee or group of cross-functional employees’ mastery of the art of anticipation.</td>
</tr>
<tr>
<td>MR. BIVS</td>
<td>Mistakes, rework, breakdowns, inefficiencies &amp; variations- reported at line-up as a way to a) turn mistakes into learning opportunities in an open environment; b) collect data for improvements in future service design.</td>
</tr>
<tr>
<td>Scenography</td>
<td>A shift away from a centralized design aesthetic, to having each hotel’s design reflect a sense of place and set a stage and scene for Ladies and Gentlemen to use as actors and improvise solutions in their efforts to deliver the art of anticipation.</td>
</tr>
<tr>
<td>Mystique</td>
<td>A customer management data base containing employee observations of individual customers’ wants and needs in order to deliver the art of anticipation. Ladies and Gentlemen become ethnographers.</td>
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</table>

Figure 3. Examples of chaordic frameworks at The Ritz-Carlton.

Notably, staff are referred to internally as “Ladies and Gentlemen.” In fact, the company motto “Ladies and Gentlemen serving Ladies and Gentlemen” serves as an equalizer between staff and customers: the idea that a maid thinks as highly of herself as a high-net-worth guest provides a feedback loop that enlivens chaordic principles such as emergent leadership.

CST is a useful combination of chaos theory and complexity. Although chaos theory evolved from the field of mathematics and looked at how complex things arise from simpler things, complexity is a field, not a theory, and looks at how simple things arise from complex ones (van Eijnatten, 2004). The edge of chaos is that position between chaos and order, and the chaord, that adaptive, nonlinear organization which is simultaneously orderly and chaotic, is patterned neither by chaos nor order. The process of chaordic change in an organization is one in which the organization evolves characterized by bifurcation, the butterfly effect, fractal patterns, and emergent properties. Bifurcation describes what happens when qualitative changes, new life, and new possibilities occur in the organization; the butterfly effect describes small changes in initial conditions that later have enormous effects on the organization’s life cycle. The CST view assumes that the organization’s structure oscillates between stable and unstable growth: fractal patterns. Emergent properties in the CST view incorporate holonic principles—where the parts are inherent to the whole and where the designers of change (in the case of The Ritz-Carlton, the Ladies and Gentlemen) do not function outside of the system, but are part of the system (the system...
being the design of experience at The Ritz-Carlton. Thus, various frameworks within the organization allow for leadership to emerge from within the system at multiple levels. This is seen most obviously in The Ritz-Carlton’s framework of lateral service, in which staff are expected to creatively and spontaneously contribute to problem solving across functional areas, delivering the art of anticipation—fulfilling guests’ needs before they are even voiced—in an unforced and unobtrusive manner.

**Holonic principles**
Holonic principles describe situations in which an entity is simultaneously a whole in its own right as well as an integral part of a greater whole. At The Ritz-Carlton, this aspect was evident when a consultant to the hotel explained that “the Ladies and Gentlemen are The Ritz-Carlton.” They are both the product (“The Ritz-Carlton experience”) and the means by which the emotionally engaging experience is made possible. That holonic capacity extends even further when one deciphers The Ritz-Carlton motto, “Ladies and Gentlemen serving Ladies and Gentlemen.” The motto extends the self-awareness of the employee to empathize and identify with the customer and thus more readily and easily fulfill the art of anticipation. Because the staff are both the product and the deliverer of the product, an interesting feedback loop is created: anticipation is both facilitated and created by the staff who constitute the brand and live by this motto.

In the CST view, designers can codesign systems, but not fully design systems. At The Ritz-Carlton, leadership emerges from the frontline staff, who codesign experience and memory for guests, cross functionally, by way of frameworks such as “wow” stories, lateral service, and cultivating the art of anticipation, all examples of adaptive systems that enable emergence. The added value of viewing The Ritz-Carlton organization through the lens of CST is that it helps make clear that the staff (artists, agents, designers, or brokers, by any other name) are interacting with each other in such an intense way that emergence can arise.

**Redefining luxury**
The chaordic frameworks The Ritz-Carlton uses have positioned it to deliver meaningful value within a changing definition of luxury during this global recession. How can the luxury sector defend abundance in a time of scarcity and greater consumer appreciation of sustainability? At its core, luxury is about being rare and special. Consequently, one challenge is repositioning what is rare and special for luxury consumers whose new currency consists of memories and experiences—rather than rare and expensive objects. In truth, redefining luxury results in redefining meaning: The Ritz-Carlton has paid close attention to the mechanics of meaning and the ways in which that meaning is delivered (Diller et al., 2005).

The Luxury Institute divides the luxury sector into pre-2008 enterprises (closed systems, not valuing continuous collaboration and cooperation with their customers) and post-2008 enterprises (open systems, very self-reflexive, viewing themselves on a journey in an “organic and rugged landscape” where they seek to discover on a continual basis what best suits the needs of their customers). By 2008, rare objects in the luxury sector had become commoditized as luxury brands tried to be all things to all people (Luxury Institute, 2009). The Ritz-Carlton’s solution was to encourage customers to travel less, but to make those few occasions count for more.

The Ritz-Carlton is a heritage brand. Its strong tradition makes the work of adaptation to new customers, new competitors, and redesigned services more challenging. The incorporation of sustainability values was one way in which the hotel’s legacy standards were challenged; its legacy standards were also challenged on the level of its design aesthetic. Once
upon a time, The Ritz-Carlton believed that success was about consistency in design—and this was comforting to its guests. The old properties did not vary much in their visual cues of heavy damask drapes, large chandeliers, and walls lined with oil paintings of hunting scenes. Now, success is about incorporating a “sense of place” design, an aesthetic that incorporates the geography, local culture, and indigenous architecture of the property. Service delivery has become similarly customized. The Ritz-Carlton has evolved to allow for more localized innovation and decision making, because expectations vary from one guest to the next and from one property to the next. As company president Simon Cooper has remarked:

Twenty years ago, our customers were pretty much the same—older white guys like me in suits. Today, our customers are diverse in terms of gender, ethnicity, age; we have more families…. With the greater diversity of guests, you have a greater diversity of what it means to have a sense of well-being and it’s very much, you know, how do we entrust our Ladies and Gentlemen to interpret for this family one thing, and for another family another thing?3

The Ritz-Carlton’s strength is in its locally driven innovation. Chaordic frameworks allow for this. The frameworks (scenography, line-ups, “wow” stories, and the like) become vehicles to allow for bottom-up innovation. This explains why in several interviews Ritz-Carlton associates and consultants referred to The Ritz-Carlton as having a “grassroots,” organic nature. Structures allow for innovation at the local level; action and engagement take place among frontline employees.

The evolution to being comfortable with being “consistently inconsistent”4 is evident in the reinterpretations of service. For example, afternoon tea service at the South Beach property in Miami, Florida, does not include classical music, scones, and Earl Grey tea; instead, “acid jazz” lounge music and mojitos make more sense, and in the process the talents and skills of the staff are showcased. As it began to engage the new luxury customer, The Ritz-Carlton broadened its service design strategy and encouraged staff to creatively interpret a guest’s need in situ and collaborate with colleagues in order to design and deliver the most memorable “wow” experience for that customer.

Experiential service design redesigns systems and objects to enhance customer experience. Experiential services are defined as those experiences which focus on the experience of the customer when interacting with the organization, rather than just the functional benefits stemming from the products and services delivered (Prahalad and Ramaswamy, 2004). At its best, service design “employs features that include co-creation, constant reframing, multidisciplinary collaboration, capacity building and sustaining change” (Saco and Goncalves, 2008, p. 10). As noted earlier, The Ritz-Carlton’s service design strategy originally focused primarily on improving quality in operations, rather than on the quality of customers’ emotional engagement in their experience. Indeed, research on the American hospitality industry shows that established hotels have tended to concentrate on effectiveness while often failing to update their business concepts in accordance with environmental changes (Baum and Ingram, 1998; Hallin and Marnburg, 2007).

Scenography and customer experience

The Ritz-Carlton has been recognized for delivering consistently high standards of quality. This was reflected in its receipt of two

3. From a personal interview, November 9, 2009.
4. A phrase that The Ritz-Carlton president, Simon Cooper, uses often and told him at an interindustry brainstorming session by Keith Bellows, Editor-in-Chief, National Geographic Traveler: “We expect Ritz-Carlton designs to be consistently inconsistent.”
Malcolm Baldrige awards (in 1992 and in 1999), which recognize “world-class,” quality-driven companies (Michelli, 2008). In the mid-1990s, however, owners of The Ritz-Carlton properties began to play more of a participatory role in setting company strategy. In 2001, when Simon Cooper became president, the work of integrating the company’s high service standards with a redesign of how that service was delivered became the central focus. Changes in the physical design of the hotels were both symbolic and practical, as evidenced in the use of scenography.

Scenography uses sense-of-place design and subtle aesthetic cues to arrive at themes that essentially tell a story. Introduced to The Ritz-Carlton properties in 2006, it is a subtle means for guests to feel that they have walked into an environment that taps into all five senses and helps them to engage with the place. Internally, scenography acts as a backstory for the staff to use as an improvisational tool as they decide on a case-by-case basis how to engage with guests.

A great example of scenography’s function is The Ritz-Carlton hotel in Georgetown, Washington, DC, where the scenography theme is “fire.” The building was once the old incinerator for the city of Washington, DC. Color hues of deep reds and orange run throughout the lobby; a bowl of cinnamon-spiced candies is at the reservation desk; open fireplaces are lit throughout the cooler season months; indigenous art has been developed from old paper bags left over in the incinerator; the chimney stack has become an intimate space to hold meetings and romantic dinners.

These sensorial cues are used by the staff to engage customers and deliver various moments of experience: spiritual moments, sensuous moments, and family moments. In essence, each Ritz-Carlton property can paint its own picture with its own palette. This method of allowing for both structured interaction and spontaneous flow exemplifies holonic principles: Staff are the designers of service delivery and guest experience as well as brokers and actors in the process.

**Catalysts for change**

Simon Cooper’s ascension to the presidency was the first of several catalysts (or “bifurcation moments,” in the CST view) that caused The Ritz-Carlton to reevaluate its experiential service design. The second occurred in 2003, when management recognized that, although the firm did well with traditional status seekers—typically older men and women of inherited wealth, who gravitated to overt status symbols—they were missing out on the next generation of wealth. They coined that next generation “the discerning affluent.” These were luxury consumers who could afford to stay at a Ritz-Carlton but were instead choosing the W Hotel or a competitor luxury boutique hotel, because The Ritz-Carlton did not appear comforting or relevant: Static images of robotic butlers following a customer around were not appealing. The goal was to blow the dust off the cobalt-blue lion-and-crown crest that had symbolized The Ritz-Carlton for decades without completely alienating the traditional status seekers or vested employees (Michelli, 2008).

Management saw that these new customers had three core values: (1) to lead an interesting life, (2) to be philanthropic, and (3) to tell stories about unique experiences. It was very important for The Ritz-Carlton to remain authentic in this new embrace without alienating the core customer or the loyal employee. Scenography played a significant role in this effort, as a methodology not only to redesign the interior aesthetic of Ritz-Carlton properties, but also to provide a redesigned platform upon which employees could engage more authentically with customers (see Figure 4).

A third catalyst, in 2005, was the decision to move beyond being just a service brand to also embrace the idea of anticipation for optimal guest engagement. Although competitor brands were also responsive to their customers, The Ritz-Carlton had an opportunity to move...
beyond being responsive to mastering the art of anticipation. Allowing the Ladies and Gentlemen—maids, doormen, and servers—to work as improvisational artists was a radical idea in and of itself. The Mystique database (see Figure 3), a collection of information regarding guests’ preferences, became a tool to redesign that interaction. Another strategy to move beyond being simply responsive was a shift to using the less-prescriptive framework of the “12 Service Values.” In 2006, the 12 Service Values replaced the more extensive and prescriptive “20 Basics.” The 20 Basics had degenerated into a scripted list, much like thick rule books, which inspire rigidity instead of creativity. In contrast, the 12 Service Values are a guideline of 12 briefly articulated values that give meaning to what otherwise might be considered mundane work. For example, “I am always responsive to the expressed and unexpressed wishes and needs of our guests.” The 12 Service Values have become one of the most visible experiential service design tools used to deliver scriptless, anticipatory service.

The fourth catalyst occurred in late 2008. It focused on the challenge of convincing customers of luxury’s relevance in the midst of a global economic recession. It had become gauche, for instance, to talk about an expensive vacation one had just taken. The Ritz-Carlton resolved to focus more on value and meaning. Stories have more currency than rarefied objects during an economic recession, and the discerning affluent needed a justified narrative if they were to indulge in luxury. The solution was to actually encourage customers to travel less, but to make those fewer occasions count for more. Rather than being in the business of doling out frequent traveler award points, The Ritz-Carlton advertisements asserted they were selling “seven-memory stays”—memorable, weeklong vacation packages. This speaks to the redesign of the external story delivered to potential guests: In marketing The Ritz-Carlton, the company deliberately did not try to sell points as some of its competitors did; instead, it tried to sell memories and experiences.

Continuing the CST perspective of viewing the staff as artists, associates and consultants have said that The Ritz-Carlton should feel like really good jazz—structure with improvisation. There are two dimensions at work: One is the process dimension and the other is the experiential dimension. The two merge by way of execution, driven by the staff at the local level. At the end of the day, customers must buy in emotionally, beyond the level of operations which deliver an efficient check-in, a clean bed, and prompt room service. The staff delivering the service make memorable experiences possible.

The fourth bifurcation point—the recession—also points out that the dynamics of storytelling are at work within the complexity of The Ritz-Carlton. The “wow” stories for which The Ritz-Carlton is known are another feedback loop. Storytelling organizations are defined as “collective systems in which the performance of stories is a key part of members’ sensemaking and a means to allow them to supplement individual memories with institutional memory” (Boje, 1991, p. 263). Narrative (order) and story (disorder) compose a network of elements with overlapping patterns which can also be used to explain the evolving Ritz-Carlton. Narrative (similar to the chaordic order) is a centripetal
force of control and order, with a beginning, middle, and end. Story (similar to the chaordic chaos) is a centrifugal force, unraveling coherence and asserting difference. The dialogism (plurality of voices) is inherent in the lineups (see Figure 3) that occur daily at every Ritz-Carlton around the world, meetings where staff share stories of mistakes made and rectified. Just as storytelling was a value to the “discerning affluent” luxury consumer, it is also an integral tool used within The Ritz-Carlton to troubleshoot and to inspire staff. Lineup is a 15-minute ritual in which each department shares mistakes and solutions, as well as details about hotel operations. This is another feedback loop at work: the stories that emerge organically through the interaction of frontline employees and guests are then relayed at lineup to promote employee engagement, inspiring the staff to continue to anticipate the needs of guests. Internally, the “wow” stories crystallize the company philosophy and the staff’s accomplishments. Externally, the “wow” stories can be consumed by guests and then perpetuated throughout the marketplace.

Adapting to the new meaning of luxury has meant a redesign of experiential service delivery—essentially the design of new, adaptive systems, as evidenced in the use of scenography, in anticipating guests’ needs, or in the integrative power of the “wow” stories. A dynamic system is at work (see Figure 5), one in which the ebb and flow of structure and localized creative innovation flourishes and the organization reassesses and repositions itself. This dynamic system varies from property to property (e.g., a residence has different requirements than does a resort hotel), and from guest to guest. The Ritz-Carlton has been able to make the shift to redefine abundance in times of scarcity because of its embrace of fractal patterns of growth, in which linear and non-linear paths intersect at various moments to highlight meaning and experience.

References


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