

LUX*: Staging a Service Revolution in a Resort Chain

Jochen Wirtz and Ron Kaufman

ABSTRACT

LUX* was a successful hospitality group operating in the Indian Ocean as well as other locations. In its previous incarnation, the company suffered from poor financial performance, poor service quality and a weak brand. A change in the leadership of the company led the group through a transformation, which showed positive results within 12 months. This case study describes a service revolution that led to rapid improvements in service culture and guest experience, which in turn led to sustained financial improvements on a quarter-on-quarter basis.

INTRODUCTION

With its headquarters in Mauritius, the LUX* hospitality group operated a portfolio of eight resorts and a private island in the Indian Ocean (*Exhibit 1*). The brand

promised guests a celebration of life through its new value proposition — luxury resort hospitality that is Lighter.Brighter.

What is the Lighter.Brighter hospitality? Established luxury hotels have come to be associated with stiff upper-lipped service and stuffy opulence. Lighter hospitality meant breaking away from these to offer a more effervescent experience without compromising on its upscale sensibilities. At the same time, LUX* wanted to brighten up guest experiences. For example, instead of having high prices for items from the mini-bar, LUX* wanted to encourage guests to enjoy themselves and just take from it what they fancy. To encourage this, LUX* lowered the prices of items in the mini-bar significantly. By being smarter in the way LUX* operated, both guests and business benefited.

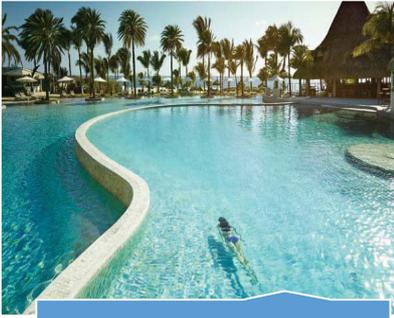
Although LUX* was launched only four years ago, the group's resorts had been doing exceptionally well. Within a short span of time, LUX* successfully transformed its service culture. The group had seen 16 consecutive quarter-on-quarter improvements in its financial performance. The group's resorts also enjoyed a higher occupancy rate than the industry average in the destinations they operated in (measured quarterly by the Market Penetration Index, which compares the hotel's occupancy against its competitive set). The group's financial performance was mirrored by winning multiple accolades for service excellence, including "Indian Ocean Leading Hotel" for LUX* Maldives from World Travel Awards, "Best Resort Hotel Mauritius" for LUX* Belle Mare from International Hospitality Awards, and "Reunion Island's Leading Hotel" for LUX* Ile de la Réunion from World Travel Awards.

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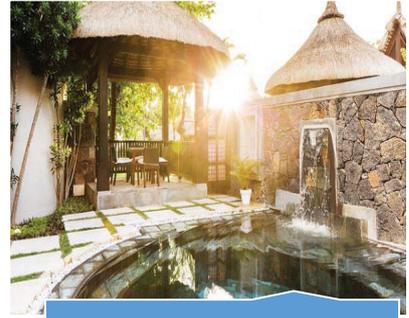
All dollar amounts referred to in the text are in US Dollars unless otherwise indicated. The exchange rate used for all currency conversions is MUR100 to USD2.845.



LUX* Belle Mare's Pool



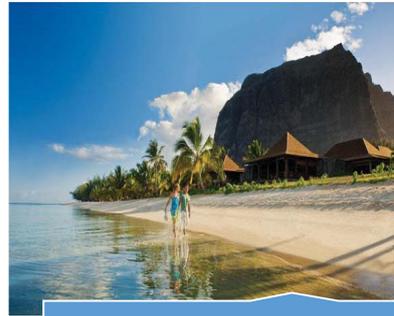
LUX* Belle Mare's Beach



LUX* Belle Mare's Villa



LUX* Le Morne



LUX* Le Morne's Beach

Note: LUX owns eight seaside resorts by the Indian Ocean. Each of them are fitted with an expansive infinity pool, stylish bars and ocean themed furnishings.*

Exhibit 1 Some of the LUX* resorts in the Indian Ocean

THE DARK AGES

However, things were not always this rosy. Before LUX* was launched in 2011, the group was known as Naiade Resorts and the company suffered from poor financial health. None of its hotels were on the list of top 10 hotels on TripAdvisor in their geographic competitive sets. To top it off, the Naiade brand lacked clarity. Its brand name was used for nine different properties, ranging from three to five stars, creating an unclear positioning in the minds of consumers. Problems in its positioning became apparent when the global financial crisis struck in 2008–2009. This led to a large drop in occupancy and room rates (*Exhibit 2*). The group's troubles culminated in 2011 with a criminal case involving the high-profile murder of an Irish hotel guest.

Having witnessed prolonged economic turmoil and a criminal case, the motivation and morale of hotel employees were unprecedentedly low. Financially, the impact of these troubles cumulated in a downward trajectory in the company's performance from 2008 to 2010 (*Exhibit 3*). The company reported a loss in 2010.

After hitting rock bottom, management had to move fast, and Naiade Resorts achieved a turnaround within a very short span of time. By mid-2011, Naiade Resorts saw an improvement in its service and this quickly translated into improved financial performance. Since then, the company had witnessed substantive and consistent service culture improvement and financial performance growth. How did the group manage this turnaround so quickly?

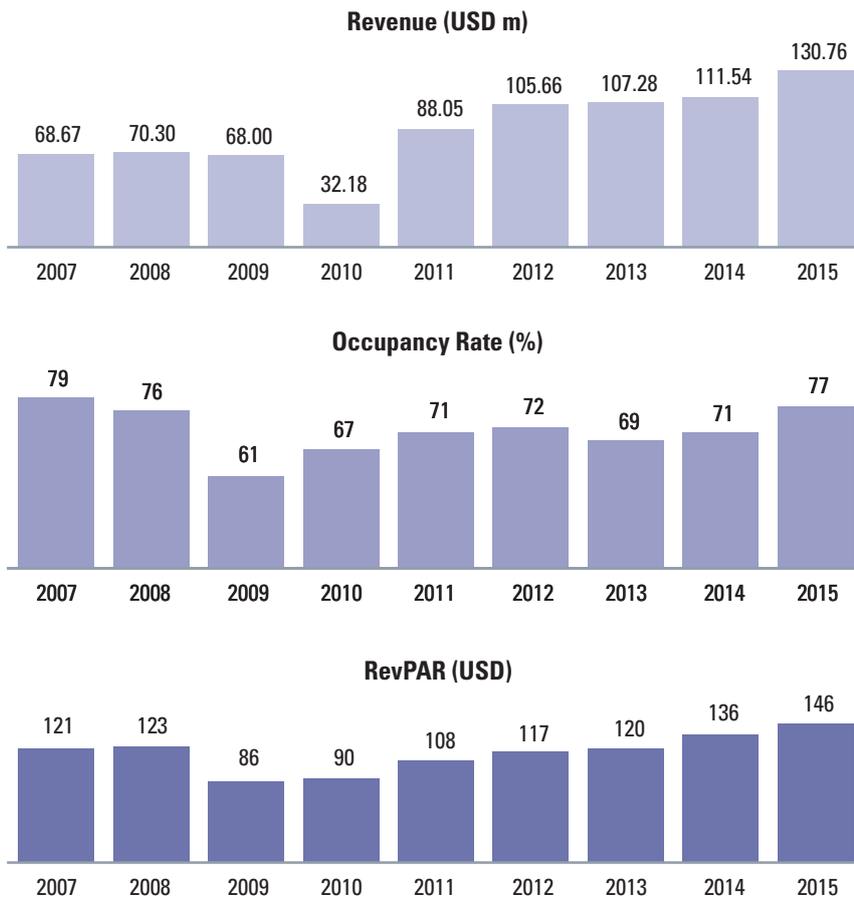
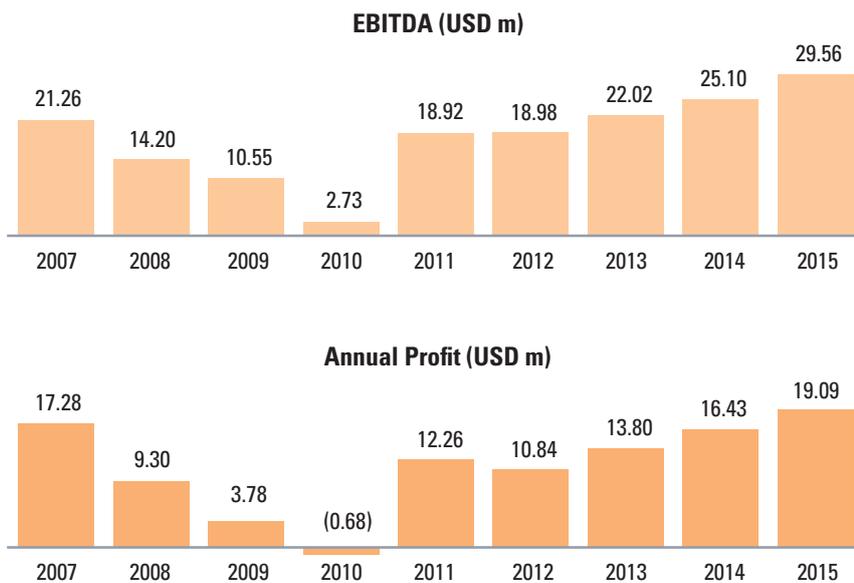


Exhibit 2 Revenue, Occupancy Rates and RevPAR



Note: Up till 2009, the financial year ended on 31 December. For 2010, all financial figures reported are for six months ending on 30 June 2010. From 2011 onwards, the financial year ended on 30 June.

Exhibit 3 Financial Performance of LUX*

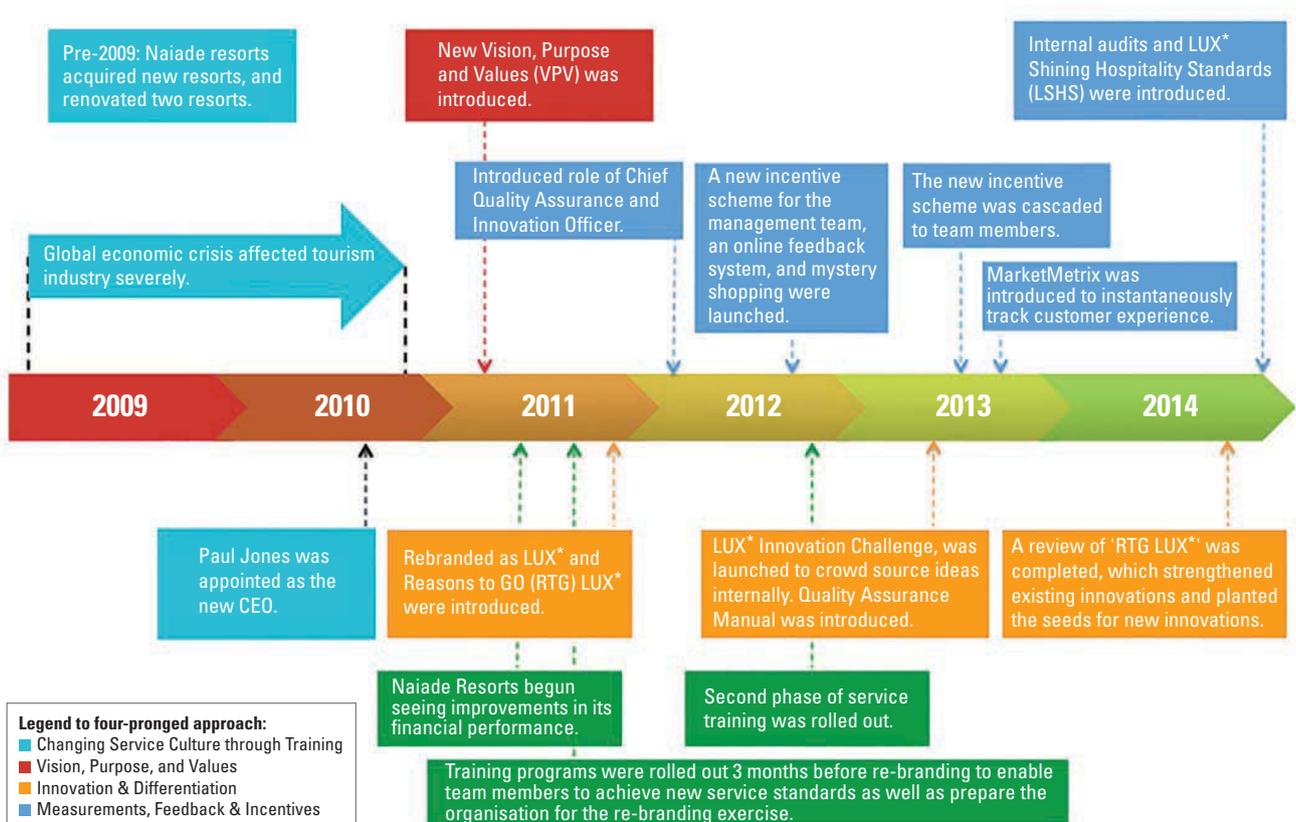
LUX* TRANSFORMATION

The very first step in Naiade's transformation can be traced back to the second half of 2010. In dire straits then, the board of directors of Naiade Resorts made changes to the company's leadership, and appointed Paul Jones as CEO in October 2010.

Under Jones's leadership, many changes were introduced to the organization within the first 12 months of his appointment. They were aimed at rapidly improving the profitability of the business and creating a world-class brand so that it could expand internationally. However, this marked a difficult transitional period for Naiade Resorts, which was in financial doldrums. Every month, Naiade Resorts struggled to pay salaries. Some employees even wondered if the changes would sink the company further.

Observing how dire the situation was, Jones commented, "The numbers pre-2010 were alarming and the company was sinking fast and would have been bankrupt had it not been for the capital injection from shareholders. In addition, the properties were in poor shape and staff morale was exceedingly low".

Together with his team, Jones focused transformation efforts on four main areas through an integrated and congruent strategy (*Exhibit 4*). First, he looked into the company's core strategy as well as company values. Naiade Resorts' business model was shifted from one of owning hotels to managing them, following an asset-light strategy. Amongst others, the new model would reduce the company's cash outlay, as owning hotels can be highly capital extensive. For example, buying a modest-sized resort in Mauritius is estimated to cost upwards of 15 million. The new business model would reduce the company's risk exposure and allow it to expand at a faster rate. This shift provided a critical impetus for the company to concentrate on improving its service delivery.



Note: LUX's service revolution can be encapsulated by a four-pronged approach. After a change of leadership, Jones and his team swiftly introduced important changes in multiple areas that proved to be critical in turning the company around. The company has since continued to build on this momentum to continually improve.*

Exhibit 4 LUX*'s Four-Pronged Approach

To decide how to go forward, Paul Jones flew in the general managers from its resorts and the group's senior management from all over the world. The managers and executives from various levels made important decisions on the company. These include the company's new Vision, Purpose, and Values (VPV), a new name for the business, and redefining service standards. Many of these changes were implemented almost immediately after being agreed upon. This allowed for a progressive rollout of the company's new strategy.

Second, to engage and reinvigorate its staff in the transformation, the top management decided it had to build the company's service culture from scratch. This included extensive training across all levels of the organization, an alignment of expectations of service standards, and a psychological and tangible breakaway from the old Naiade Resorts.

Third, Jones leveraged a fledgling spirit of innovation to build an organization that is bold and open to ideas; one that is open to experimentation and accepting of failure. This was aimed at enabling LUX* to differentiate its value proposition.

Lastly, as CEO, Jones also embedded various performance management tools to sustain transformation. These tools included the measurement of service, and employee incentive schemes to realign a transformed organization.

In the review of this four-pronged approach, the first major change was the introduction of the new VPV.

VISION, PURPOSE, AND VALUES

Before any transformation could occur, Jones needed a guiding compass that would provide a foundation for the new Naiade Resorts. A professional credo would expound the company's aspirations and provide a fundamental rallying zeitgeist for the staff. The Vision, "We Make Each Moment Matter" and the Purpose, "Helping People Celebrate Life" were crafted, and the Values of "People, Passion, Integrity, Leadership, and Creativity" were selected to tie in closely to how staff was expected to behave and interact with guests.

Between February and August 2011, every team member of Naiade was called upon to participate in the VPV foundation course. The course was rolled out over three

phases. In the first phase, the CEO personally visited each hotel to share with team members about the new VPV. Hand in hand with the CEO's visits, the general managers of the resorts rolled out engagement workshops to all team members, ensuring that everyone understood the VPV as the foundation of the group's operations. Finally, in the third phase, all staff members were asked to pledge to abide by the ideology.

To support this rollout process, Naiade Resorts developed communication collaterals to support what the staff had heard from its leaders. For example, a visual mnemonic representing the new values in the form of an open hand, was created. Also, the ideology of the group was translated into French, Creole, and Mandarin, the mother tongues of the majority of the employees. Beyond these initiatives, team members were encouraged to incorporate VPV into their lives outside of their work, such as making each moment matter for the staff's family and loved ones.

Even after its initial launch, VPV continued to be emphasized on a day-to-day basis. In many companies, mission and values are rarely looked at. But at LUX*, they were lived out daily. Post-launch, team members from each resort shared actionable examples of how they lived the values, by listing down behaviors they should engage in as well as avoid. These items were selected based on observations of what is needed to drive the new culture and which behaviors have to stop (*Exhibit 5*). Another way in which this was operationalized was through Quote of The Day. Every day, a quote linked to one of LUX*'s values was sent to team members to inspire them (*Exhibit 6*). This initiative was so well received that team members had even asked why they did not receive the quote when there were some operational hiccups during the initial roll-out. This new VPV formed the foundation of the changes at LUX* that were to follow.

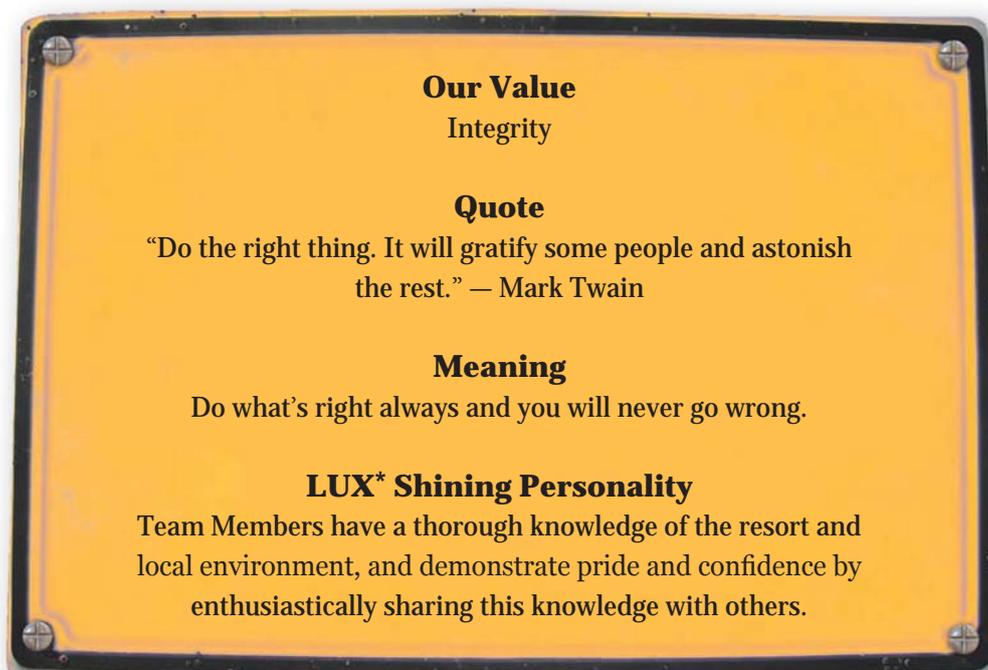
CHANGING THE SERVICE CULTURE THROUGH TRAINING

Guided by the VPV, a pervasive overhaul of Naiade Resorts' service culture was carried out in preparation for its rebranding. Extensive training was conducted across all levels of the company, efforts were made to internally align on service delivery expectations, a rebranding exercise also provided a much needed psychological and tangible fresh start for the employees, and initiatives were introduced to sustain the transformation.

Exhibit 5 Actionable examples from employees on how they live by LUX*'s Values

People		Passion		Integrity		Leadership		Creativity	
Should Do	Should Not Do	Should Do	Should Not Do	Should Do	Should Not Do	Should Do	Should Not Do	Should Do	Should Not Do
Always thank guests when they are leaving	Argue/bad attitude/rude	Go beyond expectations	Allow laziness to take over	Report any wrongdoing	Participate in any wrongdoings, no matter how insignificant they are	Always taking action	Act irresponsibly	Apply your own final touch	Dismiss colleagues' ideas disrespectfully
Be available to replace sick co-worker	Challenge the guest	Try to meet every guest request	Act in a frustrated or angry manner	Always say the truth regardless of circumstances	Not taking responsibility for a mistake	Attentive and prompt to act	Blame others when things go wrong	Surprise guests	Enter into a routine
Always be polite, caring and attentive	Ignore colleagues because you are busy	Care for the guest	See problems instead of opportunities in situations	Reporting every item found	Be involved in dishonest acts	Lead by example, be a role model & coach the employees, colleagues, team members	Behave in an autocratic manner	Go the extra mile by thinking out of the box & try to be innovative	Merely copy and replicate others' ideas

Note: After the introduction of the new VPV, employees from each resort listed behaviors that they considered to epitomize LUX's values. A sampling of the examples provided is shown above, in no particular order of importance.*



Note: A ‘Quote of the Day’ is sent to employees every day to remind them of LUX's values as well as to motivate and inspire them.*

Exhibit 6 An Example of a Quote of the Day

Comprehensive training permeated throughout the company. Apart from the senior managers who met to deliberate on the desired service standards — benchmarking against different industries — LUX* partnered with an external service provider to design and deliver training on fundamental service principles. The first course delivered an actionable service education that enabled team members to deliver service valued by guests. As part of the course, employees were introduced to the building blocks of an uplifting service culture. By breaking down an abstract concept like culture into smaller and more tangible parts, it was easier for the organization to achieve its desired culture. Such a training helped LUX* look beyond standard procedures to interact with guests to find out what they truly value. In doing so, LUX* was eventually able to deliver a unique experience to its guests.

Adarsh Grewal, HR and Training Manager at LUX* Le Morne, was one of the many employees who benefitted from the training. Adarsh commented on the training:

When you break down everything you do daily and look at it from the eyes of your customer — internal or external; you begin to realize the value of every little step and the loopholes their absence might leave. Soon enough it becomes a habit to break down every service transaction and when it starts happening subconsciously, that is when we really start to ‘Make Each Moment Matter’.

Nagassen Valadoo, Villa Manager of LUX* Belle Mare, shared his reflections on the training, echoing the change in culture at LUX*:

As a team member who has gone through the course, I would say that it has been a very rich experience. I have learnt that “Taking Personal Responsibility” in everything that I undertake in my daily duties is of utmost importance. I have understood, we need to adapt our service according to each guest needs in order to offer them an Unbelievable experience of their stay. I have also learnt that the contribution of each of the team members in making “Each Moment Matter” for our guests is essential in making an experience memorable for them.

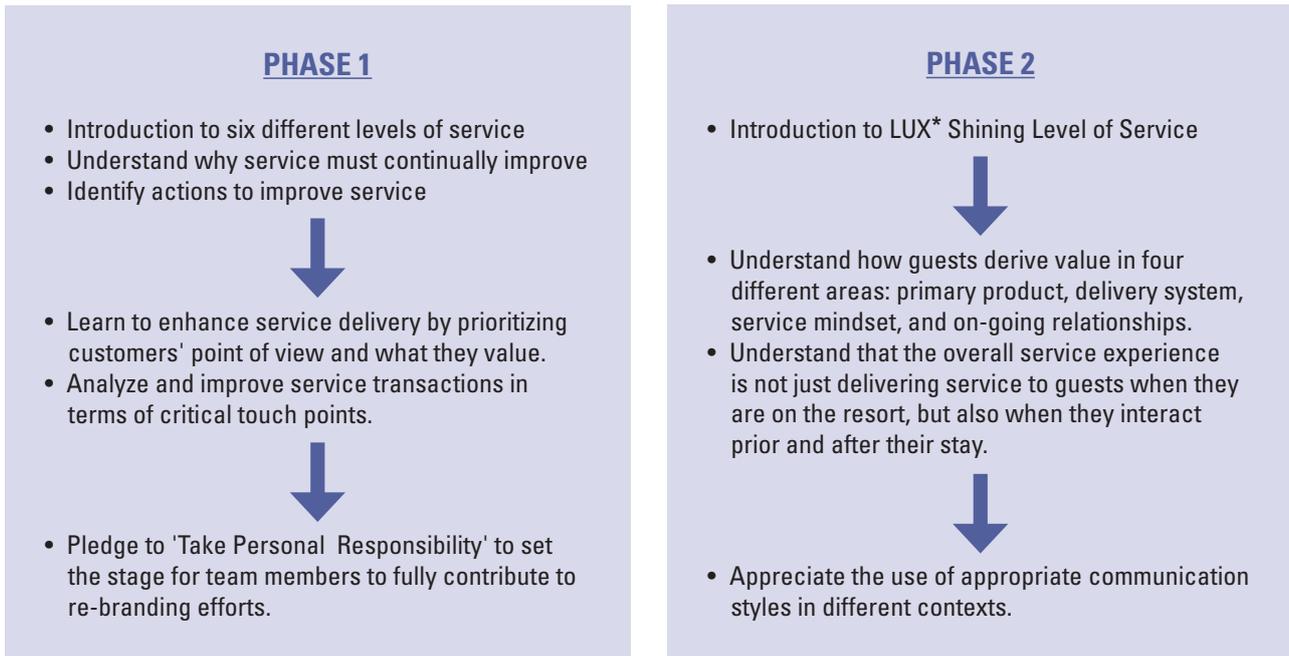
The training kicked off with an initiation workshop held for all 2,800 employees across the group. To roll out the training, more than 30 team members underwent a workshop to become certified course leaders. Hailing

from diverse backgrounds, the trainers developed entirely in-house a customized version of the generic course materials from an external provider. This created the perception of the training as an internal LUX* product, improving receptivity from team members.

To make the materials more relatable for team members, the examples used were from best practice organizations in the hospitality industry. For instance, case studies of companies such as Disney, The Ritz-Carlton, and Singapore Airlines were used to illustrate service excellence.

The way the training was structured also contributed to the success of re-building the company’s service culture. The course was rolled out in two phases with a gap of four months between the end of the first phase and the start of the second (*Exhibit 7*). Structuring the course in such a manner facilitated buy-in from staff as they were able to try out what they learnt in the first phase and then tried it out in their day-to-day work to see the value of the training. An example of this is the Perceptions Points analysis, which taught employees to focus on delivering service by first understanding guests’ point of views and what they value rather than be bound by internal procedures. This analytical tool was applied to what is now known as Reasons to Go (RTG) LUX*, explaining the importance of different touch points that contribute to overall guest experience for each reason. The usefulness of tools such as this set the stage for a successful roll out of the second phase of training.

A common service language is an example of one of the building blocks of an uplifting service culture that employees were trained on. During the training, employees were introduced to a “Levels of Service” framework, which maps out different levels of service that LUX* can render. This served to provide employees with a common frame of reference when communicating with each other about service standards. As a case in point, when GMs say, “Let’s give that guest an “Unbelievable” experience”, team members understand exactly what they need to do. Notably, LUX* also added a 7th level of service, titled “LUX* SHINING is beyond unbelievable” to the original framework (*Exhibit 8*). In doing so, LUX* clearly communicated to employees its vision for its service levels. Beyond communicating desired service standards, LUX* helped employees to connect VPV to service standards, explaining why they needed to deliver on certain service standards based on their company beliefs. This took the form of a pledge that elegantly weaved VPV with service standards (*Exhibit 9*).



Note: To prepare the company for its new direction, employees underwent training in two different phases to learn more about building an uplifting service culture.

Exhibit 7 Training on Service Culture



Note: LUX adapted the Levels of Service framework from its training partner, UPI Your Service College, and added a 7th Level of Service.*

Exhibit 8 The 7 Levels of Service

As I believe in **‘Consideration for People;’** I will always avoid **CRIMINAL** levels of service to my Guests and Colleagues.

As I believe in **‘Serving with Passion;’** I cannot be satisfied with just giving **BASIC** level of service.

As I have pledged to **‘Make Each Moment Matter’** for my Guests and Colleagues towards achieving our purpose of **‘Helping People Celebrate Life;’** I must go beyond delivering only the **EXPECTED** level of service.

I expect myself and my colleagues always to be **Honest, Fair, Sincere and Authentic.** Together we will always **‘Insist on Integrity.’**

Our belief **‘Responsibility of Leadership;’** will Inspire me to **Lead by Example** in always delivering **DESIRED** level of service to my guests and colleagues.

My Curiosity and Imagination will drive my **‘Creativity’** to deliver; when the opportunity arises; **SURPRISING** and **UNBELIEVABLE** levels of service to my guests and colleagues.

To uphold our promise and become a winning brand; I aim to deliver **LUX* SHINING** level of service to all our guests. I want to convince them that they have made a perfect choice for their vacation.

Exhibit 9 Weaving VPV Into Levels of Service

Three months after the launch of the course, Naiade Resorts was re-branded as LUX* Resorts and Hotels. On the December 3 2011, LUX* opened its doors to journalists and invited the finest magazines from around the world to stay in its resorts. A whole week of events was organized in Mauritius to celebrate the occasion. The launch of LUX* generated a very positive response from its key partners and the media, which helped to generate word-of-mouth.

Over time, the training became more comprehensive and covered five core areas (*Exhibit 10*). Service training continued to be delivered to both new team members as well as veterans. New hires were introduced to the content of the course as part of LUX*'s orientation program.

Almost 60–65% of the orientation's content was dedicated to service delivery, and preparing new team members to blend in seamlessly with experienced staff. For veterans, continual training on service culture helped to reinforce the learning. In follow-up sessions, participants shared how they had put the core learning to practice. Together, these revamped and intensified training and coaching programs helped to develop a strong learning culture and better-trained team members who contributed significantly to LUX*'s success.

Exhibit 10 LUX*'s Areas of Focus for Training

Area of Focus	Description
General Training	Ensured that team members were equipped to deal with operations and guest issues.
Service Culture	A large part of LUX*'s training efforts focused on building an uplifting service culture to deliver service that is truly world class.
Technical	Focused on training needed for staff to perform their jobs efficiently in different departments. A large part of the technical training was done in-house.
Leadership	Specific leadership development programs were targeted at different leadership levels in the company. Training was customized and delivered in partnership with training providers that had a strong focus in leadership.
Language	Language training was important to ensure that LUX* was able to customize their service experience to changing market mix — especially since the Chinese and Russian markets had seen fast growth in recent years.

INNOVATION AND DIFFERENTIATION

In order to deliver a truly Lighter.Brighter luxury resort experience, LUX* had to cultivate a service DNA that embraced the invariable experimentation failures along the way, and promote a culture that continually innovated and differentiated itself from the competition (see *Exhibit 11* on how employees embraced creativity).

During the development of LUX*, the management was bold and open to ideas. Paul Jones sought to instill in the LUX* DNA a spirit that is open to experimentation, continually innovating and accepting of failure. This



Exhibit 11 Employees exercise their own creativity in making guests feel special

meant that there were many ideas put to the test when the company re-branded, and even after the launch of LUX*. The company saw continual improvement of its service and performance as an imperative.

At the inception of LUX*, one idea that was experimented with is the use of theatre as an analogy to think about the hotel. Team members of the hotel were thought of as actors who performed while the general managers were producers who directed the show. LUX* intended to use this analogy to motivate staff to give more of themselves to guests. However, they soon realized that it was difficult to bring this idea to fruition. The analogy was confusing to guests, as well as team members.

On this matter, Sydney Pierre, Head of Worldwide Sales, shared:

The theatre analogy was a great concept and a game changer in terms of innovative operational approaches; however, the practicality of implementation was low and did not really make any difference to our tour operators.

Echoing Sydney's thoughts was Caroline Gaud, Marketing Communication Manager, who said:

It was confusing for our partners and our guests; some of them expected to see a "show" playing at the resorts and were disappointed. The analogy was misunderstood and created too much confusion, therefore, we decided to get rid of it. Simplifying the brand concept was critical at this stage to raise awareness and attract guests.

The team coined the term RTG LUX*, which stands for "reasons to go to LUX* and refers to the unique selling points of LUX* resorts. It bore testament to LUX*'s willingness to try and its innovative spirit. When creating LUX*, the leadership team had initially set a bold target of creating 50 RTG. This ambitious goal was met with difficulty, as there were many other initiatives that were concurrently being rolled out.

One RTG LUX* that was dropped was the Secret Bar, a pop-up bar. The bar was found in different parts of the resort at different times of the day and worked on an honor system – guests poured their own drinks and recorded what they consumed. Conceptually, the idea was brilliant but it was beset by operational challenges. One such challenge is that while serving themselves, spillage sometimes occurred, impacting the experience of subsequent guests. Although some properties were able to control the quality of the guest experience, it was difficult to achieve this across all properties. As a result, it had to be retired as a RTG LUX*. Nonetheless, it continues to be offered as a service in some properties that had managed to make it work.

Apart from quality, some RTG LUX* were withdrawn for reasons such as budget and logistics. Eventually, the list of RTG LUX* was organically narrowed down to 20. Some of these reasons became iconic and resonated very well with guests. One of the most documented RTG on social media and TripAdvisor was "Message In A Bottle".

XLuo, a TripAdvisor user, described his experience with Message In A Bottle as follows:

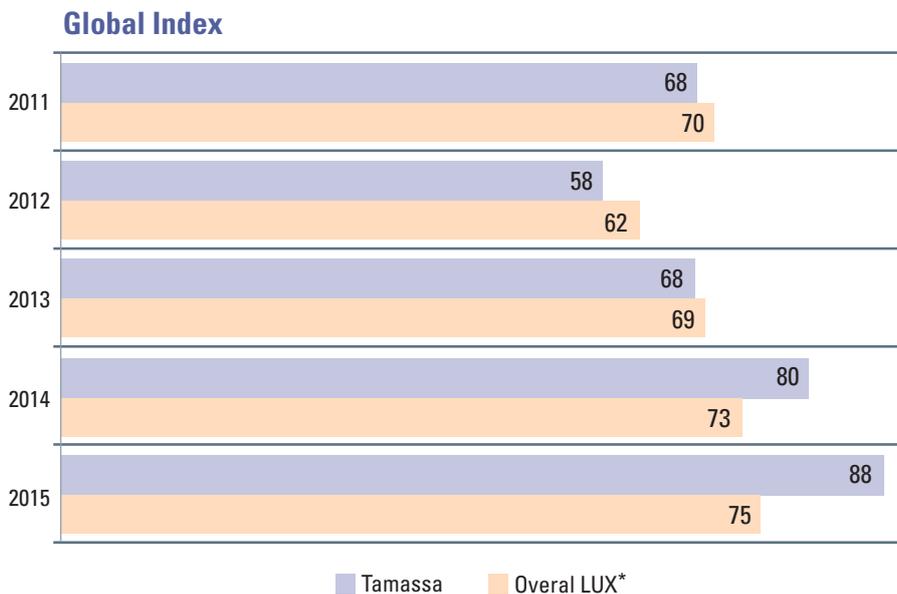
We found a total of four secret bottles around the island that include free bottle of wine, free

pizza for in-villa dining, and free cocktails. We woke up every day around 6.00 a.m. to jog around the island and spend time to find these bottles hidden all around the island, and it was really a fun way to start every day on the island.

Epitomizing its emphasis on innovation was the decision to introduce the role of a Chief Quality Assurance and Innovation Officer. To stimulate innovation, the incumbent introduced the LUX* Innovation Challenge. Each year, a theme that revolves around business needs such as increasing the loyalty of guests and team members, and improving revenue is set. Teams in each resort as well as the head office then propose ideas, which are rolled-out upon approval. Towards the end of the year, the teams reconvene to present the results of their ideas to a jury. Subsequently, the winning idea is rolled-out across all the resorts, along with other promising ideas that had come out of this challenge.

A particularly impactful idea was FIESTA, which came in first place in the 2014 challenge on innovating to increase the loyalty of team members. FIESTA is a wide-ranging high engagement program that allows employees to benefit from activities in the following areas: Fitness, Innovation, Etiquette and Morale Week, Spa, Thank you, and Award.

For example, Etiquette and Morale Week, the main highlight of the program and also the world's first, brings together young children of team members for three days for a series of activities. Examples of these activities are tennis classes, mocktail classes, recycling of plastic products, and dedicating poem writings to their parents to express gratitude. All in all, the event created a sense of pride and respect amongst the children for the work their parents do. This ground-up initiative had a significant impact on team member satisfaction (*Exhibits 12a and 12b*) and also went on to win the Best Initiative in Human Resources at the 15th Edition of the Worldwide Hospitality Awards.



Note: FIESTA was introduced in Tamassa and its impact on the loyalty of team members is reflected in the trend in its Global Index in comparison to other LUX resorts.*

The Global Index is a weighted index of 5 Dimensions of well-being at the workplace that are measured by LUX through its Team Member Satisfaction Survey. The higher the score of the index, the better the performance on these dimensions.*

Exhibit 12a The Impact of FIESTA

Exhibit 12b The Global Index — 5 Dimensions of well-being at the workplace

Dimension	Description
Vital Dimension	Team Member Morale. (State of mind: tense, depressed, happy, etc.)
Existential Dimension	Personal and Professional Accomplishment. (Training, Workload, and Resources)
Social Dimension	Interrelationships, Sense of Belonging, and Recognition.
Material Dimension	Physical Comfort at Work, Ergonomics, Salary, Benefits, Fun and Excitement.
Organizational Dimension	Internal Organization Perception and Degree of Engagement with LUX* Resorts' Vision, Purpose and Values.

LUX* was cognizant of the need to stay different and keep ahead of its competition. This spirit of constant innovation is also exemplified by the decision to review its RTG LUX* three years after its launch. The review served to formally define what a RTG LUX* is and critically evaluate the RTG — by identifying what was done well, what was not so successful and how to improve further. The value of each RTG was assessed using a 5D system (*Exhibit 13*) developed by LUX*.

Exhibit 13 The 5D System: Reasons to Go LUX*

Evaluation Filter	Guiding Questions
1. Does it DELIVER the brand experientially on property?	<ul style="list-style-type: none"> • Vision — Does it make a moment that matters? • Purpose — Does it help people to celebrate life? • Does it substantiate the promise of hospitality that is 'Lighter.Brighter'?
2. Does it DEMONSTRATE our creative principles?	<ul style="list-style-type: none"> • Does it banish thoughtless patterns? • Is it simple, fresh and sensory?
3. Does it DRAMATISE the brand concept?	<ul style="list-style-type: none"> • Does it celebrate 'Locale Life', our nature and culture? • Is it Light Luxury: lightweight and light-hearted?
4. Does it DIFFERENTIATE us from our competitors?	<ul style="list-style-type: none"> • Is it quirky, charming, or cool? • Is it generous, thoughtful, or surprising?
5. How well does it DISSEMINATE the word?	<ul style="list-style-type: none"> • Is it PR-able? • Is it sellable? • Is it shareable?

Note: The 5D system was developed by LUX to evaluate current and future Reasons to go LUX*.*

After the review, the management decided to focus on 11 RTG LUX* (*Exhibit 14*). They each appealed to different types of guests — families, couples, the young and young at heart, as well as niche audiences. These RTG made guests feel different and special. While one single reason may not have triggered guests to choose LUX*, the various reasons worked together to deliver an attractive proposition.

Exhibit 14 Eleven Reasons to go LUX*

Reasons to go LUX*	Description
Ici  Exhibit 14a	A holiday without ice cream isn't a holiday at all so we created our own brand called 'ici'. An array of exotic, island flavors are served from retro-styled parlors and mobile carts while a fresh waffle cone is baked right in front of your eyes. Crunch. Munch. Perfect after lunch. (<i>Exhibit 14a</i>)
Café LUX*	We believe that great coffee is a must and not a luxury so at the heart of each resort, you'll find a Café LUX*. Enjoy our organic Island Blend, freshly roasted on-site, in a truly different café setting. Flat White or FrappeLux — they're perfect for a seaside sip and surf.
Phone Home	We believe that holidays should be stress and hassle-free, which is why if you explore our resorts you'll find a telephone box and inside a vintage VOIP phone. Here you can make local and international calls free of charge. We just ask one thing: Please do not call the office!
LUX* Me	LUX* Me is an integrated philosophy of well-being, offering a step by step path to an altogether healthier way of life. Naturally, in addition to al fresco classes, our personal trainers specialize in pilates, yoga and meditation classes as well as tailoring programs to you and your requirements. Now stretch!

Reasons to go LUX*	Description
Scrucap	We love a good Burgundy or vintage Bordeaux but the Indian Ocean's a long way from the vineyards of France so we've tapped South Africa for its most exciting contemporary wines. Cape blends survive the short journey in mint condition. Introducing 'Scrucap' and 'Popcap'. Not a corked wine in sight.
Cinema Paradiso	A large screen, fastened between two palms, flickers into life and you're transported to another world — of blockbusters, family classics and world cinema. It wouldn't be the movies without the nibbles, so there's fresh popcorn on the house, 'ici' ice cream and drinks served right to your beanbag. Curtain Up! (<i>Exhibits 14b and 14c</i>)



Exhibit 14b



Exhibit 14c

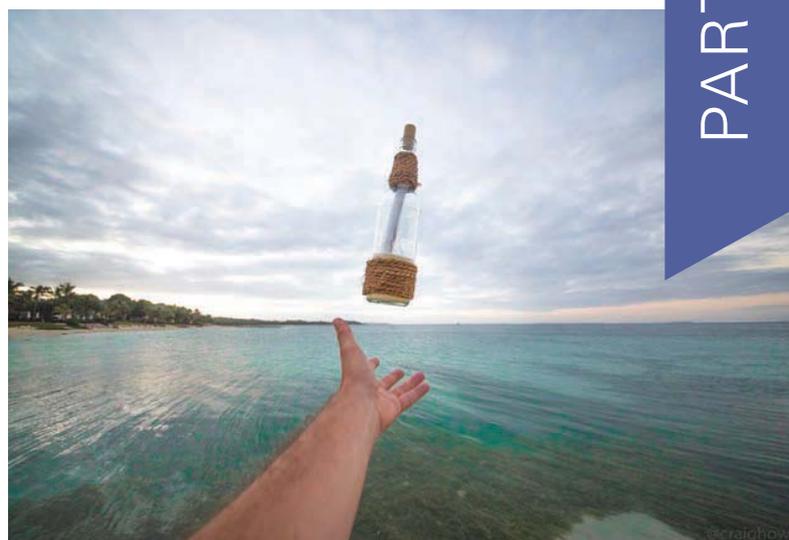
Reasons to go LUX*	Description
Message In A Bottle	You spot a lonely bottle hidden in a bush beside a sandy path. Inside this mysterious vessel, you find a scroll of paper, which reveals a special treat waiting for one lucky guest. Stay alert because it's only if you find the bottle that this daily surprise can be yours.
Thread Lightly	We can't always promise clear skies but, with your help, we can guarantee a clear conscience. LUX* cares about the destinations that are home to its properties. After all, memorable holidays shouldn't cost the earth and that's why we are doing our best to 'Thread Lightly' by offsetting 100% of the carbon emitted during your stay. It's one of a number of measures we're putting in place to help us leave a lighter footprint.
Mamma Aroma	<p>For as long as any of us can remember, amenities have been a staple in every hotel and resort bathroom around the world.</p> <p>Imagine hair lovingly nourished by deep conditioners; lazy baths scented with tropical oils; bodies gently burnished with a patina of sea salt scrub and sun-kissed skin glowing with the natural moisturizing properties of the island's products.</p> <p>LUX* Resorts & Hotels offers you, for your bath experience, something different: an element of surprise, a gasp of pleasure, and a nod to simplicity are behind our selection. And being considerate to the environment, our products and their packaging are as light on the planet as they are on the body.</p>

Reasons to go LUX*	Description
Mamma Aroma	We have also worked with renowned aromatherapist Shirley Page to create an exclusive range of essential oils, using island ingredients- essences, flowers and spices that combine to create a magical world of fragrance. Used in our LUX* Me spa, the oils are also present in interior and linen scents.
Tree of Wishes 	At every LUX* Resort & Hotel, you'll find a specially commissioned Tree of Wishes sculpture made by local artisans. Upon check-in, you'll be handed a unique ribbon featuring your initials and the date of your visit. Although not compulsory, you are invited to make a donation which will be made annually to a local children's charity. Tie the ribbon around one of the branches whilst making a wish. Whilst we can't guarantee your wish will come true, we can promise that once a year one lucky ribbon will be selected and the lucky person who placed it there will win a free holiday to LUX*. (Exhibit 14d)

Exhibit 14d

Another outcome of the review was an augmentation of the successful RTG. With Message In A Bottle (Exhibit 15), numerous improvements were made in various areas. Execution-wise, bottles were placed at different times to cater to guests with different sleep cycles.

To capture, develop and disseminate new ideas, LUX* created the LUX* Ideas Bank, a depository where ideas could be placed, shared, discussed, measured, and tested. Ideas were contributed by team members and scored. Promising ideas were developed into prototypes and evaluated again. Those ideas that passed the rigorous testing process were finally screened by a senior operator task force that selected them for implementation. This process created an innovation pipeline, allowing the company to launch three new RTG LUX* every quarter and thereby drove continual innovation.



Note: LUX staff places coupons for complimentary spa treatments, pedicure facial or massages in bottles around the beach. Some messages are written clues directing guests towards the Secret Bar, or offer an opportunity to enjoy a special dining experience for two on the beach. Guests who serendipitously stumble upon these bottles on the beach are in for a treat.*

Exhibit 15 Message In A Bottle

MEASUREMENT, FEEDBACK, AND INCENTIVES

In the transformation journey, measurement of service performance became a priority. Prior to Jones' tenure at LUX*, Naiade Resorts collected guest feedback using written forms and a quality assurance coordinator was appointed in each resort. This system placed certain limitations on what the company could do with feedback. These include delays in terms of consolidating feedback, a lack of central coordination of quality assurance, and hence, low visibility among top management, as well as difficulty in measuring service performance within and between the different properties of the group.

While a basic customer feedback system was in place, service measurement and feedback had become much more sophisticated under Jones' leadership. Within a month of recruiting the Chief Quality Assurance and Innovation Officer, LUX* went online with its feedback form. Although LUX* could not afford to invest heavily in an online feedback system at that point in time, it saw a basic online platform as a step in the right direction.

With an online platform, LUX* had visibility on how each resort was performing in terms of service quality, and it also motivated employees to provide better service.

Soon after, LUX* launched a quality assurance manual based on standards of global best practices in hotel and hospitality management. It spelt out clear service targets in all areas of operations, right down to micro-moments such as the amount of time that the restaurant should take to hand guests the restaurant menu. This was accompanied by a mystery-shopping audit to check that standards were met.

In terms of external measurements, the company paid close attention to customer feedback and ratings on TripAdvisor (*Exhibit 16*). For instance, qualitative feedback on TripAdvisor was monitored and responded to by the management personally. The feedback was also discussed with department heads within LUX* when it concerned their line of work. The ratings were even monitored and tracked as part of selected employees' key performance indicators (KPI).

Throughout the transformation, the impact of the changes introduced was seen in the improvements in their financial performance such as the growth in their publicly reported quarterly revenue. This provided satisfaction for staff in the form of indirect feedback for what they had accomplished. In 2012, however, LUX*'s management also realized that there were only a few incentive schemes in place. Sometimes, the incentives did not serve the purpose of getting team members to focus on where they should. This prompted the management to review incentive plans to align the company in achieving its targets.

The new incentive schemes focused on three important things — Guest Experience, Team Member Engagement, and Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA). This was rolled out first to the general managers of each resort in 2012. Subsequently, various schemes were developed for different groups of employees. A sample of the KPIs include targeted EBIDTA, targeted Trip Advisor scores, guest satisfaction related metrics, and a team member satisfaction index.



Note: This chart illustrates the change in ranking of LUX's resorts, from 2011 to 2015. The resorts are segmented by country, with the relevant LUX* resort ranked against other resorts listed on TripAdvisor. Note that TripAdvisor's ranking methodology changed in 2015 for LUX* Saint Gilles and Hotel Le Recif, using a much wider geographic region for the ranking. This led to many more resorts being included in the ranking and it explains the drop for Hotel Le Recif.*

Exhibit 16 LUX*'s TripAdvisor Rankings Within Each Country (2011 vs. 2015)

In Mauritius, an incentive scheme was extended to all Team Members. Under this scheme, the performance of individual hotels was linked to rewards for 2,000 frontline employees in Mauritius. By 2015, team members were given targets for EBITDA, TripAdvisor ratings, as well as MarketMetrix score (a measure of guest satisfaction). A bonus of 8% of the team member's basic monthly salary was paid when the KPIs were met. Paid out on a monthly basis, the bonus served as a tangible incentive to further motivate frontline staff to meet the company's goals.

While these tools served LUX* well, the group's ambitions have in a short few years evolved from turning around the company to becoming a leading international player. This also meant that some of its management tools had to evolve.

One tool that evolved was how LUX* measured customer satisfaction. In 2013, the LUX*'s online system evolved from a fairly basic system to one that is much more sophisticated. By partnering with MarketMetrix, LUX* was able to track customer experience almost instantaneously on a daily basis. Aspects of customer experience that were tracked included Check In and Check Out, Room, Food and Beverage, as well as Facilities and Amenities. Customer feedback was also taken so seriously that the CEO received metrics on customer satisfaction on his smart phone on a daily basis. LUX*'s partnership with MarketMetrix allowed it to not just benchmark itself across its resorts but also with its key competitors. This strong focus on customer satisfaction helped the company to better monitor and track its performance on a resort by resort basis, and within resorts, on a department by department level.

More recently, LUX* fine-tuned its internal quality standards and developed LUX* Shining Hospitality Standards (LSHS), which served as LUX*'s brand operational standards. In comparison to the LUX* Quality assurance manual, LSHS represented a shift from benchmarking against competitors to delivering service that was distinctively LUX*. For example, LSHS provided guidance to employees in terms of grooming and how they should interact with guests. A company-wide standard, LSHS was adapted to each resort in the form of standard operating procedures. Along with these changes in standards, LUX* also changed the way they tracked these standards such as using internal audits in place of mystery shopping.

FUTURE PLANS

Having successfully revolutionized its service through a four-pronged approach, LUX* was in 2015 in a much better position to implement its asset-light strategy. It already had signed a number of long-term management agreement for upcoming hotels in the Maldives and China.

By the end of 2016, LUX* expected to have close to a-third of its portfolio being owned by third-parties but managed by LUX*. Finally, LUX* entered into a franchise agreement to open Café LUX*, a RTG LUX* concept, outside the hotel. With its strong service culture, LUX* aimed to become more of a global company with a bigger footprint.

Study Questions

1. What were the main factors that contributed to LUX* Resort's successful service revolution?
2. What key challenges do you see in what LUX* did in carrying out its transformation? How were they addressed and what else could have been done?
3. What next steps do you think LUX* should take to cement its strong service culture, continue service innovation, and maintain its high profitability?

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