

**Red McCombs School of Business**  
**The University of Texas at Austin**

<b>SERVICE MANAGEMENT</b> <b>MAN 386.1 and MKT 382</b>
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**Fall 2003**

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Classroom: UTC 1.104  
Meeting: MW 12-2  
Unique No.: 03135/04200  
Office Hours: TTh 12-1:30

**COURSE PERSPECTIVE**

This case course explores the dimensions of successful service firms. It prepares students for enlightened management and suggests creative entrepreneurial opportunities. Outstanding service organizations are managed differently than their "merely good" competitors. Actions are based on totally different assumptions about the way success is achieved. The results show not only in terms of conventional measures of performance but also in the enthusiasm of the employees and quality of customer satisfaction. Beginning with the service encounter, service managers must blend marketing, technology, people, and information to achieve a distinctive competitive advantage.

This seminar will study service management from an integrated viewpoint with a focus on customer satisfaction. The material will integrate operations, marketing, strategy, information technology and organizational issues. Finally, because the service sector is the fastest-growing sector of the economy, this course is intended to help students discover entrepreneurial opportunities.

**COURSE OBJECTIVES**

- (1) To study "breakthrough" services in order to understand the operations of successful service firms that can be benchmarks for future management practice.
- (2) To develop an understanding of the "state of the art" of service management thinking.
- (3) To develop an awareness of the opportunities that information technology can have for enhancing the competitiveness of a service firm.
- (4) To appreciate the organizational significance of managing the service encounter to achieve internal and external customer satisfaction.
- (5) To understand the dimensions of service growth both domestically and internationally.
- (6) To gain an appreciation of the complexities associated with implementing change.
- (7) To appreciate the entrepreneurial opportunities in services.

## **ATTAINING THE COURSE OBJECTIVES**

To pursue the course objectives most effectively you will be asked to accomplish the following:

- (1) Prepare and discuss cases and readings as a class participant.
- (2) Write a take home case exam.
- (2) Prepare written analysis of two cases (team of 4).
- (3) Lead one case discussion (team of 4).
- (4) Conduct a Project on a service of your choice (team of 4).

## **CASE METHOD**

The case method is used throughout the course. Study questions on each assigned case are listed immediately following a brief description of the case in the Detailed Course Outline. These questions should serve as a starting point with additional insights being welcomed. All class members are expected to have read the case and reflected upon the assigned questions. Furthermore, class members are encouraged to apply concepts from the assigned readings to their analysis of the case.

Active participation is expected throughout the entire class with thoughtful contributions to advance the quality of the discussion. Please note that the frequency (i.e., the quantity) of your interventions in class is not a key criterion for effective class participation. The classroom should be considered a laboratory in which you can test your ability to convince your peers of the correctness of your approach to complex problems and of your ability to achieve the desired results through the use of that approach. Criteria that are useful in measuring effective class participation include:

- (1) Is the participant a good listener?
- (2) Are the points made relevant to the discussion and linked to the comments of others?
- (3) Do comments show evidence of applying the concepts from the readings to the analysis of the case?
- (4) Is there a willingness to test new ideas, or are all comments "safe" (e.g., repetition of case facts without analysis)?
- (5) Do comments clarify or build upon the important aspects of earlier comments and lead to a clearer statement of the concepts being covered and the problems being addressed?

An important element of this class is *teamwork*. You are encouraged to form your own team (minimum of 4 students). Each team will be responsible for leading one case discussion and preparing two written case assignments. To ensure spirited class discussion, we will create a safety mechanism of active class participation. Written case assignments will be made to guarantee that at least one team has prepared a written analysis of the case under discussion.

## **WRITTEN ANALYSIS OF CASES**

By the end of the *second session* your team will need to select two cases for written analysis during the course. The analysis will address the case questions and be limited to five pages, printed double-spaced, plus exhibits. I will be grading your papers using the attached grading sheet with particular attention being paid to your application of course reading material and concepts to the case analysis. The assigned questions for a case are shown in the detailed course outline following the case description. At a minimum these questions must be addressed in the written analysis with creative thinking beyond these issues being rewarded. Written papers are due at the *start of class*.

- (1) Papers should be printed, double-spaced, with normal margins. The name of the case should be on the first page of the text with your names, date, and course number. An executive summary is not required nor expected.
- (2) The page limit for each paper is five pages of text, plus exhibits. Note that these are maximum limits. Papers should be concise and coherent.
- (3) Exhibits should contain specific types of analyses (application of a framework, table of comparisons, cost analysis, competitive features, etc.) and information (web page of firm) that supports and is relevant, but would be too detailed for the body of the paper.
- (4) Please proofread and spell-check your paper before turning it in. Papers for this course should be of the same quality that you would provide to the management of the business.

## **FACILITATING CASE DISCUSSION**

By the end of the *second session* your team will need to select one case for your team to lead the class in its analysis. Leading a case discussion is a *facilitation* activity *not* presenting a complete analysis of the case. This requires the team to stimulate interest and draw out insights and ideas from the class creating active participation of class members who are expected to have read the case and thought about the assigned questions. Often the case discussion begins with a brief overview of the firm. Discussions of the assigned questions are facilitated using PowerPoint in bullet form with inputs provided by the students. As a group we will try to build a complete analysis of the situation and address the problems arising in the case applying the framework presented in the readings for the session. The team should come prepared with challenging questions to stimulate class discussion.

Criteria for measuring the effectiveness of leading a case discussion include:

- a) Ability to stimulate interest among your classmates.
- b) Ability to relate the concepts from the readings to the issues in the specific situation.
- c) How well the discussion generated insights and ideas from the participants.
- d) How effectively the team led the discussion.
- e) Was the analysis complete?

I will be grading your facilitation of case discussions using the attached grading sheet and the student feedback forms. Provide me with a PowerPoint file of our facilitation outline by e-mail the day before the class session and I will prepare handout notes for the class.

## **PROJECT**

Each team will engage in a service project which can be either a Walk-through-Audit customer survey, preparation of a short service case, or business plan for a new service. A project proposal is due for approval by the *third session* of class with a first draft to be reviewed by the *fifth session*. A presentation of the project will be made during the *last session* of class when a project report of five pages or less plus exhibits is also due.

The Walk-through-Audit (WtA) process survey involves the selection of a service in which you prepare an audit questionnaire used by management to evaluate the service from the perspective of a customer. A WtA of the Helsinki Museum of Art and Design can be found on pages 432-436 in the text. A copy of the audit questionnaire, statistical analysis of the responses, and analysis of the gaps between management's perceptions and customer responses is expected in the report.

A short service case similar to those found at the end of the chapters in the text could prove valuable for future class discussion. For example, Amy's Ice Cream found at the end of the Service Encounter chapter was prepared by three former students. The case should be written with a focus on a topic in the course syllabus. The case can illustrate a service concept such as organization culture as in Amy's Ice Cream or present a quantitative problem such as facility location as in the Athol Furniture case found in the Service Facility Location chapter. Full attribution will be given to the authors, if the case is selected for publication in future editions of the text.

For students, with an entrepreneurial bent an alternative, the preparation of new service business plan is an option. A former student conceived Commuter Cleaning - A New Venture Proposal, found at the end of the New Service Development chapter. At a minimum the proposed service design should address all eight service design elements found in the Service Strategy chapter. In addition address the target market, identify the competitive strategy, and include a pro-forma financial analysis of the economic viability.

## **PROJECT DESCRIPTIONS**

### ***Walk-Through-Audit***

1. Select service firm and get permission of management
2. Prepare a first draft of the audit questionnaire
3. Conduct audit (survey customers and managers)
4. Analysis of perception gaps between customers and managers
5. Prepare recommendations and present to management

### ***Service Mini-Case***

1. Identify service firm (could be hypothetical) and get management permission
2. Prepare first draft of case focused on a service topic. Possible topics include: service process reengineering, creative service encounters, fail-safing service delivery (poka-yoke for customers and providers), increasing customer retention and loyalty, yield management and revenue enhancement strategies, service failure recovery, globalization of services, new service development process, unique information technology application to a service, and innovative Internet services.
3. Present final case to management for approval

### ***Proposed Design for a New Service***

1. Identify the target market.
2. Address each element in the service concept.
3. Articulate a competitive strategy.
4. Prepare a financial pro-forma statement.

## **CLASS BEHAVIOR AND INDIVIDUAL NORMS**

Because every faculty member has somewhat different expectations as to class behavior and individual norms, I'd like to outline a few of mine at the outset.

- (1) Please let me know in advance if you must miss a class and have a classmate collect handouts that were distributed in class.
- (2) To help us all become acquainted as quickly as possible, please bring your name card to class. During the *second session*, I will distribute a seating chart and take digital pictures of the class. Please use the same seat for the remainder of the class. Team members may wish to sit together.
- (3) Preparation of the case and thinking about the assigned questions before class is essential for a stimulating and rewarding class experience.
- (4) For purposes of general class preparation, group work is acceptable and encouraged.
- (5) Class time is a perishable commodity, please be considerate by not arriving late for class.

## **GRADING**

Your course grade will be based on the following team and individual activities and weights:

<b><u>Team:</u></b>	Written Case Analysis	2 @ 10%	20%
	Facilitate Case Discussion		10%
	Project		20%
<b><u>Individual:</u></b>	Written Case		35%
	Class Participation		<u>15%</u>
			100%

## **COURSE MATERIALS**

1. Fitzsimmons, James A., and Mona J. Fitzsimmons, *Service Management: Operations, Strategy, and Information Technology*, 4<sup>th</sup> Ed., Irwin/McGraw-Hill, 2001. (Fitz)
2. Required Course Packet of cases and readings available at GSB Copy Center. (Packet)

## GRADING SHEET FOR WRITTEN PAPERS

### Analysis

- |   | Poor    | Excellent |
|---|---------|-----------|
| 1. Is the case analysis complete and comprehensive?                                   | _ _ _ _ | _ _ _ _   |
| 2. Does the analysis apply concepts from the <i>readings</i> ?                        | _ _ _ _ | _ _ _ _   |
| 3. Does the analysis show the relationships among important factors in the situation? | _ _ _ _ | _ _ _ _   |
| 4. Does the analysis isolate the fundamental causes of problems?                      | _ _ _ _ | _ _ _ _   |

### Recommended Action

- |  |         |
|--|---------|
| 1. Are the criteria for selecting recommendations stated?                        | _ _ _ _ |
| 2. Is the plan of action integrated in a logical way and linked to the analysis? | _ _ _ _ |

### Exhibits

- |   |         |
|---|---------|
| 1. Are analyses in the exhibits done correctly?               | _ _ _ _ |
| 2. Do the exhibits support and add to the text on key points? | _ _ _ _ |

### Overall Criteria

- |  |         |
|--|---------|
| 1. Is the paper logically consistent and effectively structured to sell its recommendations? | _ _ _ _ |
| 2. Is there a high likelihood that the recommendations will achieve their intended results?  | _ _ _ _ |

## GRADING SHEET FOR FACILITATING CASE DISCUSSIONS

### Analysis

- |  | Poor |   |   | Excellent |
|--|------|---|---|-----------|
| 1. Was the analysis of the case complete?  | _    | _ | _ | _         |
| 2. Did the analysis apply concepts from the <i>readings</i> ?                        | _    | _ | _ | _         |
| 3. Did the analysis show the relationships among important factors in the situation? | _    | _ | _ | _         |

### Case Discussion

- |  |   |   |   |   |
|--|---|---|---|---|
| 1. Did the team stimulate class discussion with leading questions? | _ | _ | _ | _ |
| 2. How effectively did the team lead the discussion?               | _ | _ | _ | _ |
| 3. How well was the timing and pace of the case discussion?        | _ | _ | _ | _ |
| 4. Did all members of the team participate equally?                | _ | _ | _ | _ |
| 5. Was PowerPoint used effectively in framing the discussion?      | _ | _ | _ | _ |

### Overall Criteria

- |   |   |   |   |   |
|---|---|---|---|---|
| 1. How well organized was the discussion?                                     | _ | _ | _ | _ |
| 2. How well did the discussion draw out insights and ideas from the students? | _ | _ | _ | _ |



## STUDENT FEEDBACK FORM

Case: \_\_\_\_\_ Team: \_\_\_\_\_

1. What were the three most important points of the presentation?


A.

B.

C.


2. How well did the presentation apply concepts from the readings?

Poor Acceptable Excellent




3. How well organized was the presentation?

Poor Acceptable Excellent




4. How effective was the PowerPoint presentation in framing the discussion?

Poor Acceptable Excellent



5. How effective was the team in stimulating class discussion?

Poor Acceptable Excellent



6. What was the *best* aspect of this presentation?

7. Specific suggestions for *improving* future presentations?

## DETAILED COURSE OUTLINE

### MODULE 1: SERVICES AND THE ECONOMY

#### **Session #1 (August 27): SERVICE IN THE ECONOMY**

Packet Readings: "Suppose we took service seriously?," David E. Bowen and Roger Hallowell, *Academy of Management Executive*, vol. 16, no. 4, 2002, 69-72.

Textbook Readings: Fitz, Ch. 1, "The Role of Services in an Economy"

#### Discussion Questions:

1. What is a service?
2. Is it possible for an economy to be based entirely on services?
3. What is the value of self-service in an economy?

#### **THE NATURE OF SERVICES**

Textbook Readings: Fitz, Ch. 2, "The Nature of Services"

Case: **Xpresso Lube** (Fitz, Ch. 2)

#### Assignment Questions:

1. Describe Xpresso Lube's service package.
2. How are the distinctive characteristics of a service firm illustrated by Xpresso Lube?
3. Characterize Xpresso Lube in regard to the nature of the service act, the relationship with customers, customization and judgement, the nature of the demand and supply, and the method of service delivery?
4. What elements of Xpresso Lube's location contribute to its success?
5. Given the example of Xpresso Lube, what other services could be combined to "add value" for the customer?

## **MODULE 2: CREATING BREAKTHROUGH SERVICES**

### **Session #2 (September 3): MARKET POSITIONING**

Textbook Readings: Fitz, Ch. 3, "Service Strategy"

Case: **Alamo Drafthouse** (Fitz, Ch. 3)

Assignment Questions:

1. Marketing analysts use market position maps to display visually the customers' perceptions of a firm in relation to its competitors regarding two attributes. Prepare a market position map for Alamo Drafthouse using "food quality" and "movie selection" as axes.
2. Use the "Strategic Service Vision" framework to describe Alamo Drafthouse in terms of target market segments, service concept, operating strategy, and service delivery system.
3. Identify the service qualifiers, winners, and service losers for Alamo Drafthouse. Are the Alamo purchase decision criteria appropriate for the multiplex movie theater market? What do you conclude?
4. Make recommendations for Tim and Carrie that would increase profitability.

### **THE SERVICE DELIVERY SYSTEM**

Textbook Readings: Fitz, Ch. 4, "New Service Development"

Case: **100 Yen Sushi House** (Fitz, Ch. 4)

Assignment Questions:

1. Prepare a service blueprint for the 100 Yen Sushi House.
2. What features of the 100 Yen Sushi House service delivery system differentiate it from the competition and what competitive advantages do they offer?
3. How has the 100 Yen Sushi House incorporated the just-in-time system into its operations?
4. Suggest other services that could adopt the 100 Yen Sushi House's service delivery concept.

**Task Due:** FORM TEAMS and SELECT CASES

### **Session # 3 (September 8): LAUNCHING AN INNOVATIVE SERVICE**

Case: **Southwest Airlines (A)** 9-575-060

Southwest Airlines is a small intrastate Texas airline, operating commuter length routes between Dallas (Love Field), Houston, and San Antonio. In June 1971 having overcome legal hurdles raised by entrenched Braniff and Texas International, Southwest inaugurates service with a massive promotional campaign and many innovations designed to attract passengers. On February 1, 1973 Southwest must decide how to respond to Braniff's "Half Price Sale".

#### Assignment Questions:

1. How well were Braniff and TI satisfying customer needs in early 1971? In January 1973?
2. Apply the "Strategic Service Vision" framework to both Southwest's external customers and internal customers (i.e., employees). Has Southwest created a breakthrough service (i.e., defined a new service category)?
3. What is the generic competitive strategy adopted by Southwest and how does the elements of Southwest's "service package" support this strategy?
4. What action should Southwest take in response to Braniff's announcement of a 60-day, half-price sale on the Dallas-Houston (Hobby) route?

Video: Herb Kelleher and His Airline (3 min.)

### **Session #4 (September 10): NEW SERVICE DEVELOPMENT**

Packet Readings: "Implementing successful self-serve technologies," Mary Jo Bitner, Amy L. Ostrom, and Matthew L. Meuter, *Academy of Management Executive*, vol. 16, no. 4, 2002, 96-109.

Case: **Alaska Airlines** 9-800-004

Alaska Airlines, serving west coast cities from Prudhoe Bay, Alaska to Puerto Vallarta, Mexico, has won awards for providing outstanding customer service. Faced with price competition from Southwest Airlines, Alaska is introducing frontline technology and customer self-service options to improve productivity and reduce costs.

#### Assignment Questions:

1. What benefits do Alaska customers gain from technology driven self-service innovations? Is it possible for self-service to be viewed by customers as improved service? How could technology that facilitates self-service increase customer loyalty?
2. What is your assessment of Alaska Air's use of technology? Consider the impact of the new technology initiatives on employees, customers, and competitors.
3. Critique the new technology development process used by Alaska Airlines.
4. Will Alaska Airline's leadership in technological innovation provide a sustainable competitive advantage?

## **Session #5 (September 15): BUILDING CUSTOMER LOYALTY**

Packet Reading: "Zero Defections: Quality Comes to Service," Frederick F. Reichheld and W. Earl Sasser, Jr., *Harvard Business Review*, Sept.-Oct. 1990, 105-111. (90508)

"Why Service Stinks," Diane Brady, *Business Week*, Oct. 23, 2000, 118-124.

Case: **Ritz Carlton: Using Information Systems to Better Serve the Customer** 9-395-064

Ritz-Carlton, a Malcolm Baldrige National Quality Award winner, relies on two information systems to promote customer loyalty: COVIA to handle centralized reservations and Encore, a local system which keeps track of guest preferences.

### Assignment Questions:

1. What overall strategic objective is Ritz Carlton pursuing in developing the customer information systems described in the case? How effective have these systems been in meeting their objectives?
2. What might Ritz Carlton do to further exploit the information gathered by these systems to reduce customer defections?
3. How can the hotel staff anticipate customer needs using these information systems? Could this information gathered on customers be considered an invasion of privacy?
4. Was the recovery offered Steve Krimer excessive? Should all customers be treated alike?

Video: Ritz Carlton (5 min.)

## **Session #6 (September 17): ACHIEVING BREAKTHROUGH SERVICE**

Packet Readings: "The Service-Driven Service Company," Leonard A. Schlesinger and James L. Heskett, *Harvard Business Review*, September-October 1991, 71-81. (91511)

Case: **Taco Bell Corp.** 9-692-058

Taco Bell is a fast food restaurant chain serving Mexican food reformulated to appeal to the American general public. As of 1991, the company had gone through a remarkable transformation and was hailed by the press and industry experts as having revolutionized the fast food world. In a period when most other fast food chains experienced flat domestic sales and declining profits, Taco Bell was profitable and increased its market share.

Assignment Questions:

1. Contrast the first phase improvements with the second phase in terms of reversing the “cycle of failure.” Could you characterize these changes as reengineering?
2. What was the impact of K-Minus on employees, managers, and customers?
3. What was required to achieve the flattened organization structure with new roles for middle managers ?
4. Does Taco Bell now have a sustainable competitive advantage in the fast food industry?

**Task Due:** PROJECT PROPOSAL (E-mail)

**MODULE 3: STRUCTURING THE SERVICE ENTERPRISE**

**Session #7 (September 22): DELIVERING SERVICE ON THE WEB**

Textbook Readings: Fitz, Ch. 7 "E-Service"

Case: **Monster.com** 9-801-145

Jeff Taylor, founder and CEO of Monster.com, ponders how his online site, the leading career site on the Web, can continue its dominance and growth on the Internet. Monster.com has just launched a nation-wide branding campaign on television and entered a four-year deal with AOL.

Assignment Questions:

1. What features of Monster.com make it an ideal service business to deliver on the Internet?
2. Why is Monster.com the most successful online career site?
3. Explain the importance of the “building communities online” initiative to the future of Monster.com.
4. What are the gains to Monster.com and TMP from the buyout?

**Session #8 (September 24): SERVICE FACILITY LOCATION**

Textbook Readings: Fitz, Ch. 8, "Service Facility Location"

Case: **Athol Furniture, Inc.** (Fitz, Ch. 8)

Athol Furniture is considering three potential sites upon which to build a store in Bluff Lake where two competing stores currently share the market. Athol does not wish to consider a store smaller than 10,000 square feet and only in increments of 5,000 square feet up to the maximum allowable size limit for the site.

Assignment Questions:

1. Utilizing the Huff spreadsheet location model found on the CD-ROM (with  $\lambda = 1.00$ ), recommend a store size and location for Athol.
2. What is the expected annual net operating profit before taxes and expected market share for the outlet you have recommended? Defend your recommendation.
3. Try two other values of  $\lambda$  (e.g., 0.5 and 5.0) to measure the sensitivity of customer travel propensity on your recommended location.
4. Briefly state any shortcomings you may perceive in using the Huff model.

Excel Model: HUFF Retail Location Model

**Session #9 (September 29): DESIGN OF THE SUPPORTING FACILITY**

Textbook Readings: Fitz, Ch. 9, "The Supporting Facility"

Case: **Shouldice Hospital** 9-683-068

A hospital located in a Canadian suburb of Toronto provides the limited service of repairing inguinal hernias using a unique surgical technique developed by Dr. Earle Shouldice. The surgery accompanied by an active recovery regimen at the resort like facility has proved very successful. Dr. Shouldice is considering several alternatives for expansion, including the initiation of Saturday surgery, adding another floor to the facility, and opening a hospital at a different site.

Assignment Questions:

1. How do the eight elements of Shouldice's service design (both structural and managerial) account for the success of the hospital?
2. How does the Shouldice Hospital facility design, layout, and servicescape support the service concept?
3. What expansion alternative would you recommend (i.e., Saturday operations or increase beds by 50%) and what would be the implications for weekly capacity? Hint: prepare a daily census table.
4. Could Shouldice be a model for other service firms? What would be the characteristics of candidate services?

Video: Shouldice Hospital (15 min.)

**Task Due:** PROJECT OUTLINE/WtA DRAFT SURVEY (E-mail)

## **Session #10 (October 1): SERVICE PROCESS ANALYSIS**

Textbook Readings: Fitz, Ch. 11 Supplement, "Computer Simulation"

Case: **Pronto Pizza** (Fitz, Ch. 11 Supplement)

Assignment Questions:

1. Draw a process flow diagram and identify the bottleneck operation.
2. Calculate the expected waiting time in the order preparation queue using queuing formula I.8 found in Appendix D. Compare this value with your simulation result and comment on any difference.
3. Use the ServiceModel computer simulation software and the Pronto.pkg file to determine the number of drivers that minimizes the total cost of salaries and guarantee discounts.
4. Based on your simulation recommended staffing level, what is the probability of paying off on the guarantee policy?
5. What do you think of this service guarantee policy?
6. What other design or operating suggestions could improve Pronto Pizza's performance and customer service?

ServiceModel: Antimated Computer Simulation

**Meet in Mod East Computer Lab, CBA 5.325**

\* \* \* TEXAS+ BREAK \* \* \*

## **MODULE 4: MANAGING SERVICE OPERATIONS**

### **Session # 11 (October 27): MANAGING THE SERVICE PROFIT CHAIN**

Textbook Readings: Fitz, Ch. 5, "The Service Encounter"

Packet Readings: "Driving service effectiveness through employee-customer linkages," S. Douglas Pugh, Joerg Dietz, Jack W. Wiley, and Scott M. Brooks, *Academy of Management Executive*, vol. 16, no. 4, 2002, 73-84.

Case: **Apollo Hospitals of India (A)** 9-396-027

Dr. Prathap Reddy founded Apollo Hospital Madras in 1983 as the first for-profit hospital in India. It offered sophisticated treatment in a comprehensive range of specialties. State-of-the-art medical technology, operated by skilled technicians, complemented superior doctors, many of whom had left lucrative jobs in Europe and North America to come to Apollo. Despite



competition, Apollo Hospitals Madras remained a leader in the provision of top-quality medical care and made a profit for 10 straight years.

Assignment Questions:

1. How does the five star philosophy of Dr. Reddy create a service profit chain?
2. What elements of Apollo's service profit chain are the most difficult to maintain?
3. Why has the Hyderabad Apollo Hospital been less successful? Make recommendations for improvement.
4. What are the risks and benefits of expanding Apollo's reach: by building more hospitals, by franchising the Apollo name, or by creating India's first HMO?

**CREATING A SERVICE CULTURE**

Packet Readings: "Who's the boss? Contending with competing expectations from customers and management," Kimberly A. Eddeston, Deborah L. Kidder, and Barrie E. Litzky, *Academy of Management Executive*, vol. 16, no. 4, 2002, 85-95.

Case: **Amy's Ice Cream** (Fitz, Ch. 5)

Amy's ice cream founded in Austin, Texas in 1984 is famous for its eclectic combination of ice cream and theater. Amy's is a feel good place to work and enjoy ice cream in a funky atmosphere.

Assignment Questions:

1. Describe the service organization culture of Amy's Ice Cream.
2. What are the personality attributes of employees sought by Amy's Ice Cream?
3. Design a personnel selection process for Amy's Ice Cream using abstract questioning, situational vignettes, and/or role-playing.

**Session #12 (October 29): THE SERVICE ENCOUNTER**

Packet Readings: "Control in an Age of Empowerment," Robert Simons, *Harvard Business Review*, March-April 1995, 80-88. (95211)

"Achieving service success through relationships and enhanced encounters," Barbara A. Gutek, Markus Groth, and Bennett Cherry, *Academy of Management Executive*, vol. 16, no. 4, 2002, 132-144.

Case: **Nordstrom: Dissension in the Ranks? (A)** 9-191-002

Nordstroms, founded as a shoe store in Seattle, is held in high esteem by customers, customers, and competitors as the most profitable and respected department store. Its very successful strategy of offering wide merchandise selection in a limited number of categories of fashion goods in a high service environment had provided remarkable growth in both sales and earnings

in stores located throughout the United States. However, in 1990 the Nordstrom family owners received a shock when the “Nordies” filed a labor law suit claiming back wages for working off the clock.

Assignment Questions:

1. Explain Nordstrom's success using the service encounter triad framework.
2. What would be the challenges of expanding Nordstrom's to new geographic markets?
3. What control system does "sales per hour" illustrate and what control system was not used at Nordstrom? How might this explain the resulting labor dispute?
4. The Washington State Department of Labor, in response to a complaint from Local 1001 of the United Food and Commercial Workers Union, in 1990 ordered Nordstrom to change its time-keeping practices and pay employees back wages for hours worked "off the clock" in such activities as attending company meetings and writing thank-you-notes to customers. The issue threatened the company's close-knit culture and employees took strong positions for and against the union. How might Nordstrom avoid these labor disputes in the future?

Video: The Nordstrom Boys (10 min.)

**Session # 13 (November 3): MANAGING SUPPLY AND DEMAND**

Textbook Readings: Fitz, Ch. 10, "Managing Supply and Demand"

In Class Exercise: **The Yield Management Analyst** (Fitz, Ch. 10)

**MANAGING QUEUES**

Textbook Readings: Fitz, Ch. 11, "Managing Waiting Lines"

Case: **Eye'll Be Seeing You** (Fitz, Ch. 11)

A visit to the ophthalmologist becomes the wait experience of a life time.

Assignment Questions:

1. How do Maister's first and Second Laws of Service apply to this case?
2. What features of a good waiting process are evident in Dr. X's practice? What psychological aspects have been ignored?
3. After receiving the letter from Mrs. F, what should Dr. X do?
4. How could Dr. X prevent such incidents in the future?
5. Give examples of constructive ways that customers can respond to poor service?

In Class Exercise: **Reflections on Service Quality**

1. Break into groups of 5 or 6 students.
2. Identify *worst* service experience and *best* service experience.
3. Return to class and discuss what has been learned about service quality.

**Session #14 (November 5): COMPETING ON SERVICE QUALITY**

Textbook Readings: Fitz, Ch. 6, "Service Quality"

Packet Readings: "Aligning service strategy through Super-Measure management," Ivor Morgan and Jay Rao, *Academy of Management Executive*, vol. 16, no. 4, 2002, 121-131.

Case: **A Measure of Delight: The Pursuit of Quality at AT&T Universal Card Services (A)**  
9-694-047

As part of its overall strategy for “delighting” customers, Universal Card Services, a wholly-owned financial services subsidiary of AT&T has created a comprehensive quality measurement and compensation system. Through multiple measures of both internal process performance and external customer satisfaction, and by linking employee compensation to overall organizational performance, Universal Card Services attempts to achieve rapid identification of process problems, ongoing assessment of customer satisfaction, and motivation of employees to sustain high levels of customer service. Despite the company’s success, its management continues to struggle to balance the basic tensions that arise from linking compensation to performance measurement.

Assignment Questions:

1. Assess the strengths and weaknesses of Universal Card Services quality systems with respect to (1) measurement system, (2) compensation system, and (3) problem solving/process improvement system.
2. Is the Universal Card Services system really a quality system or just a compensation system? What quality tools are missing and how might they be used?
3. How do you explain the high levels of employee satisfaction (see Exhibit 6) given such a stressful job working under conditions of call monitoring and meeting daily performance standards?
4. Using the Service Quality Gap Model make recommendations for modifying or realigning the system to sustain it into the future.

ServiceModel: Call Center Simulation

## **Session # 15 (November 10): SERVICE FAILURE RECOVERY**

Packet Readings: "The Profitable Art of Service Recovery," Christopher Hart, James Heskett, W. Earl Sasser, *Harvard Business Review*, July-Aug. 1990, 148-156. (90407)

Case: **Federal Express: The Money Back Guarantee (A)** 9-690-004

A professor at an executive education seminar on Amelia Island Florida is unable to conduct a class on service quality because a package containing a videotape and lecture material mailed the day before using FedEx's overnight delivery service has not arrived.

### Assignment Questions:

1. Is the FedEx money back service guarantee meaningful?
2. Critique the exchange described in the case?
3. Was a service recovery possible?
4. What do you think is FedEx's error rate in percentage terms?
5. What can FedEx do to decrease customer induced errors such as incorrect Zip codes?

Video: Federal Express (15 min.)

PowerPoint: Double Tree Complaint

## **CUSTOMER RETENTION**

Packet Readings: "Why Satisfied Customers Defect", Thomas O. Jones and W. Earl Sasser, Jr., *Harvard Business Review*, November-December 1995, 89-99. (95606)

"Best-practice complaint management," Robert Johnston and Sandy Mehra, *Academy of Management Executive*, vol. 16, no. 4, 2002, 145-154.

Case: **British Airways: Using Information to Better Serve Customers** 9-395-065

British Airways develops an information system, Customer Analysis and Retention System (CARESS) to insure rapid response to customer complaints. The case explores how this system is able to melt the complaint iceberg to resolve customer complaints quickly and improve retention as well as provide data for root-cause-analysis of problems.

### Assignment Questions:

1. What objectives was British Airways pursuing in developing CARESS? How effective has it been in meeting their objectives?
2. What might British Airways do to further exploit the information gathered by CARESS?
3. Has British Airways successfully integrated its information-based approach to managing customer service with its approach to mobilizing human resources?
4. Compare and contrast how British Airways and Ritz Carlton use information technology.

## **Session # 16 (November 12): SERVICE OUTSOURCING**

Textbook Readings: Fitz, Ch. 12, "Managing Service Supply Relationships"

Case: **Laura Ashley and FedEx Strategic Alliance** 9-693-050

Laura Ashley, global clothing and furnishing retailer is faced with a disastrous distribution system resulting in simultaneous high inventories and frequent stock outs. Turning to FedEx's Business Logistics Services, a strategic alliance is formed resulting in FedEx performing the entire distribution function for Laura Ashley.

Assignment Questions:

1. How has Laura Ashley gotten into this mess?
2. Compare the FedEx proposed distribution system with Laura Ashley's. How does the FedEx system illustrate the impact of physical supply chain management?
3. What are the costs and benefits of the alliance for FedEx and Laura Ashley?
4. Is this alliance between Laura Ashley and FedEx a model for service outsourcing?

Video: FedEx COSMOS (15 min.)

## **MODULE 5: MANAGING GROWTH AND RENEWAL**

## **Session # 17 (November 17): SERVICE RENEWAL**

Packet Readings: "Are your customers good enough for your service business?," John Bateson, *Academy of Management Executive*, vol. 16, no. 4, 2002, 110-120.

Case: **Transforming Singapore's Public Libraries** 9-802-009

A transformed Singapore's public libraries has created a new experience for visitors to facilitate learning, exploring, and discovering in support of the national aim of becoming a "learning nation." The success of the effort is quantifiable in terms of low capital cost, a modest increase in operating budget, a doubling of membership, and dramatically improved service standards (e.g. waiting lines, material availability, ease of access, and librarian help).

Assignment Questions:

1. Prepare a service blueprint of the transformed library.
2. Does your blueprint adequately capture the new experience of library visitors?
3. How does the new servicescape contribute to the behavior of a library visitor and library employee?
4. Reengineering often fails. What can be learned from the success of this initiative?

## **Session # 18 (November 19): CULTURAL TRANSFERABILITY**

Textbook Readings: Fitz, Ch. 16, "Growth and Globalization of Services"

Case: **Euro Disney: The First 100 Days** 9-693-013

Located 20 miles west of Paris, Euro Disney opened in April 1992 within its \$4.4 billion budget. The reception has been mixed with much criticism from the French who view it as an assault on their culture. Attendance is far below projections and the quality of service is sub-standard when compared with other Disney theme parks.

Assignment Questions:

1. How might the success of the Tokyo Disneyland be a poor predictor of the Euro Disney experience?
4. Critique the decision to locate Euro Disney in France outside Paris? Was the cultural element ignored?
5. Critique the design of Euro Disney. In general, what elements of a service concept can be modified to accommodate local culture? What elements must not be compromised?
4. Make recommendations that address the low attendance and sub-standard (by Disney parks elsewhere) service levels.

Video: Training at Disney (15 min.)

## **Session # 19 (November 24): INTERNATIONALIZATION OF SERVICES**

Packet Reading: "Making the Most of the Best," Quinn, Anderson, Findelstein, *Harvard Business Review*, March-April 1996, 71-88. (96209)

Case: **Coopers & Lybrand in Hungary (A)** 9-692-112

Because financial accounting practices and standards differed across country lines, Coopers & Lybrand's historical growth strategy had been to align itself with existing accountancies in the foreign countries it was entering. However, to more quickly develop profitable offices overseas this strategy was being questioned. At issue was which elements critical to the success of the Hungarian office could be adapted from other established offices and which would have to be developed specifically for Hungary.

Assignment Questions:

1. Describe the global service strategy used by Coopers & Lybrand in Hungary.
2. The "strategic service vision" was formulated based on domestic service operations. What additional elements need to be added to account for foreign operations?
3. Prepare recommendations for Romer-Lee to help him deal with the challenges facing the Budapest office.

4. In the summer of 1990, 11 of the 12 Hungarian auditors presented Alex Romer-Lee with the following ultimata: (1) change the way the office was managed, giving Hungarians senior operating positions and influence in determining the office's strategic direction, and (2) give the 11 Hungarians equity. If these two demands were not met, they would leave and form their own financial services firm. How should Alex respond?

### **Session #20 (November 26): FRANCHISING WITH QUALITY**

Case:       **Fairfield Inn (A)** 9-689-092

The management of Fairfield Inn, Marriott's new entry into the economy limited service motel industry, faced significant issues concerning how best to grow the chain. Having decided to: (1) provide only a few services and (2) utilize an innovative process of selecting, appraising, and rewarding employees, a decision now had to be made whether to utilize some form of franchising as away to gain access to prime real estate sites in order to grow more rapidly.

#### Assignment Questions:

1. What features of Fairfield Inn's service concept represent service breakthroughs?
2. What are the strengths and weaknesses of Scorecard?
3. Would you recommend franchising this concept? To what extent? How?
4. Fairfield Inn's Orlando, Florida unit had been opened just ten months earlier, in July 1989. Located just three miles from the entrance to Walt Disney World, the Inn was an immediate hit with families visiting the theme park. Occupancy rates rose from 55% in the first month to 98% by March 1990. However, Scorecard ratings had never risen above 92% on overall customer satisfaction. The goal for maximum payout of employee bonuses was 96%, and the targeted minimum for payout of bonuses was 94%. Recently, the measure at Orlando had fallen to 91%, the minimum accepted level, but one at which no bonuses were paid. You have just received a request from the property manager for special consideration. He states "How am I supposed to explain to our team that even though we're operating flat out in what is Fairfield's most profitable unit, we will be losing bonuses because our group Scorecard ratings are too low?"

What would you recommend be done in this case?

<u>Session</u>	<u>Date</u>	<u>Topic</u>	<u>Case</u>	<u>Source</u>
<b>Module 1: Services and the Economy</b>				
1	8/27	Services in the Economy The Nature of Services	Xpresso Lube	Fitz
<b>Module 2: Creating Breakthrough Services</b>				
2	9/3	Market Positioning The Service Delivery System	Alamo Drafthouse 100 Yen Sushi House	Fitz Fitz
	<b>Due:</b>	FORM TEAMS and SELECT CASES		
3	9/8	Launching an Innovative Service	Southwest Airlines (A)	Packet
4	9/10	New Service Development	Alaska Airlines	Packet
5	9/15	Building Customer Loyalty	Ritz Carlton	Packet
6	9/17	Achieving Breakthrough Service	Taco Bell Corp.	Packet
	<b>Due:</b>	PROJECT PROPOSAL (E-mail)		
<b>Module 3: Structuring the Service Enterprise</b>				
7	9/22	Delivering Service on the Web	Monster.com	Packet
8	9/24	Service Facility Location	Athol Furniture, Inc.	Fitz
9	9/29	Design of the Supporting Facility	Shouldice Hospital	Packet
	<b>Due:</b>	PROJECT OUTLINE or WtA SURVEY (E-mail)		
10	10/1	Service Process Analysis	Pronto Pizza	Fitz
		<b>Meet in Mod East Computer Lab, CBA 5.325</b>		
<b>Fall Break and Texas+</b>				
<b>Module 4: Managing Service Operations</b>				
11	10/27	Managing the Service Profit Chain	Apollo Hospitals of India	Packet
		Creating a Service Culture	Amy's Ice Cream	Fitz
12	10/29	The Service Encounter	Nordstrom	Packet
13	11/3	Managing Supply and Demand	Yield Management Game	Fitz
		Managing Queues	Eye'll Be Seeing You	Fitz
14	11/5	Competing on Service Quality	AT&T Universal Card Services	Packet
15	11/10	Service Failure Recovery	FedEx: The Money Back Guarantee	Packet
		Customer Retention	British Airways	Packet
16	11/12	Service Outsourcing	Laura Ashley and FedEx Alliance	Packet
<b>Module 5: Managing Growth and Renewal</b>				
17	11/17	Service Renewal	Singapore Public Libraries	Packet
18	11/19	Cultural Transferability	Euro Disney: The First 100 Days	Packet
19	11/24	Internationalization of Services	Coopers & Lybrand in Hungary	Packet
	<b>Due:</b>	INDIVIDUAL CASE		
20	11/26	Franchising with Quality	Fairfield Inn (A)	Packet
21	12/1	Project Presentations		
22	12/3	Project Presentations		
	<b>Due:</b>	PROJECT PAPER		



## Service Management

### Case Write-up and Discussion Choices

<b>Date Due</b>	<b>Harvard Case</b>	<b>Write-up Priority (Make 6 Choices)</b>	<b>Discussion Priority (Make 3 Choices)</b>
9/8	Southwest Airlines		
9/10	Alaska Airlines		
9/15	Ritz Carlton		
9/17	Taco Bell Corp.		
9/22	Monster.com		
9/29	Shouldice Hosptial		
10/27	Apollo Hospitals of India		
10/29	Nordstrom		
11/5	AT&T Universal Card Service		
11/12	Laura Ashely & FedEx Alliance		
11/17	Singapore Public Libraries		
11/19	Euro Disney		
11/24	Coopers & Lybrand in Hungary		
11/26	Fairfield Inn		

**Team Members:** \_\_\_\_\_

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E-mail Team Correspondent \_\_\_\_\_