Red McCombs School Of Business
The University of Texas at Austin

SERVICE MANAGEMENT
MAN 386.1

Fall 2001

Professor James A. Fitzsimmons   Classroom: UTC 1.130
CBA 3.238; 471-9453 (voice)   Meeting: Thursday 2-5
Office Hours: MWF 12:00-1:30   Unique No.:   03360
E-mail: jfitz@mail.utexas.edu   http://www.bus.utexas.edu/~fitzj

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 service firms competitiveness.
(4)   To appreciate the organizational significance of managing the service encounter to achieve internal and external customer satisfaction.
(5)   Understand new service development from both a product and process perspective.
(6)   To gain an appreciation of the complexities associated with implementing change.
(7)   To understand the dimensions of service growth and expansion both domestically and internationally.
(8)   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 3).

(3)   Facilitate one case discussion (team of 3).

(4)   Conduct a Project on a service of your choice (team of 3).

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 that are made relevant to the discussion? Are they 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 and conclusions?

(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 (3 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 *first class day* your team will need to select <u>two</u> cases for written analysis during the course. The analysis will address the case questions and be limited to <u>five pages, printed double-spaced,</u> 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 <u>not</u> required nor expected.

(2)   The page limit for each paper is five pages of text, plus exhibits. Note that these are <u>maximum</u> 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/spellcheck 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 *first class day* your team will need to select <u>one</u> case for your team to lead the class in its analysis. Facilitating a case discussion is *not* presenting a complete analysis of the case but rather leading the class in the case analysis. 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 an outline or 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. At the conclusion of the case discussion, the instructor will summarize the take-aways for the session.

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 conduct a service project consisting of either a Walk-through-Audit or the preparation of a short service case focusing on a topic from the course syllabus. A project proposal is due for approval by *September 20* with a first draft to be reviewed by *October 11*. A presentation of the project will be made during the *last week* of classes. A project report of five pages or less plus exhibits will be due on the *last day* of classes.

The Walk-through-Audit (WtA) Project 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 (an example museum WtA can be found on pages 564-565 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 Athol Furniture. 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 to writing a short case could be the preparation of a proposed design for a new service. Commuter Cleaning - a former student conceived A New Venture Proposal, found on pages 137-139 in the text, as a new service. At a minimum the proposed service design should address all the elements in the service concept, include information on the target market, identify the competitive strategy, and include a 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. If you do miss a class, please find out from a classmate what additional assignments might have been made, and what handouts you may have missed.
(2)   To help us all become acquainted as quickly as possible, please bring your name card to class. During the *third class*, I will distribute a seating chart and ask you to 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:

Team:

Written Case Analysis	2 @ 10%	20%
Facilitate Case Discussion		10%
Project		20%

Individual:

Case Write-up	35%
Class Participation	15%
	100%

COURSE MATERIALS

1. Fitzsimmons, James A., and Mona J. Fitzsimmons, *Service Management: Operations, Strategy, and Information Technology*, 3nd 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 analysis complete and comprehensive?	|____|____|____|____|
2. Does the analysis apply concepts from the *readings*?	|____|____|____|____|
3. Does the analysis show the relationships among important factors in the situation?	|____|____|____|____|
4. Are assumptions made in the analysis stated explicitly?	|____|____|____|____|
5. 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 key exhibits support and add to the text on key points?	|____|____|____|____|

Overall Criteria

1. Is the paper logically consistent and effectively structured so it sells its recommendations?	|____|____|____|____|
2. Is there a high likelihood that the recommendations will achieve their intended results?	|____|____|____|____|

GRADING SHEET FOR FACILITATING CASE DISCUSSION

Analysis

		Poor				Excellent
1.	Was the analysis of the case complete?		____	____	____	____	
2.	Does the analysis apply concepts from the *readings*?		____	____	____	____	
3.	Does the analysis show the relationships among important factors in the situation?		____	____	____	____	

Case Discussion

1. Did the discussion stimulate interest among class participants? |____|____|____|____|

2. Did the team use effective questions to lead the discussion? |____|____|____|____|

3. How well was the timing and pace of the case discussion? |____|____|____|____|

4. Was the PowerPoint presentation useful and well prepared? |____|____|____|____|

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
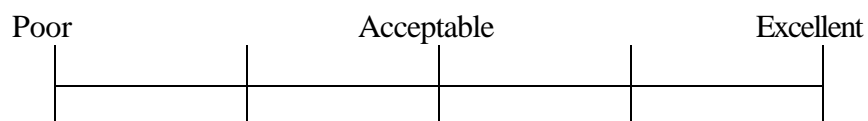
Case: _____   Team: _____

1. What were the three most important take-aways?

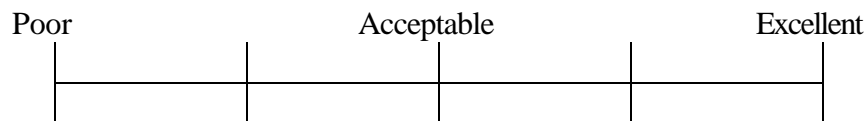   A.

    B.

    C.
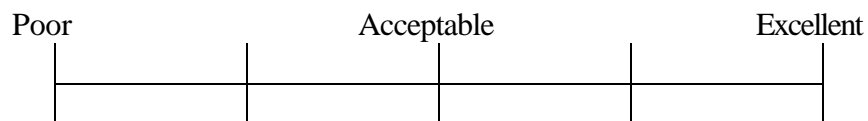
2. How well did the presentation apply concepts from the readings?
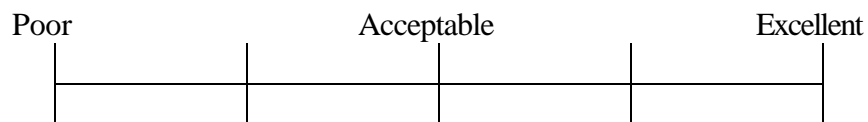
    Poor   Acceptable   Excellent

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 30): SERVICE IN THE ECONOMY

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?
4. What are the roles of front-line employees, customers, operations, and marketing in the service innovation process?

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?

Task Due: FORM TEAMS and SELECT CASES

MODULE 2: CREATING BREAKTHROUGH SERVICES

Session #2 (September 6): MARKET POSITIONING

Textbook Readings: Fitz, Ch. 4, "Service Strategy"

Case: **America West Airlines** (Fitz, Ch. 4)

Assignment Questions:

1. What generic competitive strategy has America West chosen to enter the air passenger market? What are the dangers of this strategy?
2. Identify the service winners, qualifiers, and service losers in America West's market.
3. How has America West addressed the eight elements in its strategic service concept?
4. Marketing analysts use market position maps to display visually the customers' perceptions of a firm relative to its competitors with regard to two attributes. Prepare a market position map for America West comparing it to American, Delta, and Southwest, using the differentiation attributes of "cabin service" and "preflight service." You will need to define the end points of each scale (e.g., for cabin service, one extreme is 'no amenities') to anchor the relative positioning of the airlines along the attribute. The actual position is subjective because no precise measurements are available.

Video: Southwest and AmericaWest (5 min.)

LAUNCHING AN INNOVATIVE SERVICE

Packet Readings: " Lessons in the Service Sector", James L. Heskett, *Harvard Business Review*, March-April 1987, 118-129. (HBR 87206)

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. Describe Southwest's "Strategic Service Vision" both internal and external. Has Southwest created a breakthrough service?
3. How does the elements of Southwest's "service package" support their competitive 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) service?

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

Session #3 (September 13): NEW SERVICE DEVELOPMENT

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

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 both employees and customers.
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?

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)

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 that keeps track of guest preferences.

Assignment Questions:

1. What objectives was 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?
4. Was the recovery offered Steve Krimer excessive? Should all customers be treated alike?

Video: Ritz Carlton (5 min.)

Session #4 (September 20): THE SERVICE DELIVERY SYSTEM

Textbook Readings: Fitz, Ch. 5, "New Service Development and Process Design"

Case: **100 Yen Sushi House** (Fitz, Ch. 5)

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 concepts.

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. Critically analyze the steps taken by Taco Bell that have allowed it to achieve its current position in the world of fast food?
2. Given the speed with which the changes in the later part of the case (1989-1991) took place, why didn't Taco Bell all but fall apart?
3. Can Taco Bell's major competitors copy the Taco Bell strategy?
4. Where does Taco Bell go from here?

Task Due : PROJECT PROPOSAL (E-mail)

MODULE 3: STRUCTURING THE SERVICE ENTERPRISE

Session #5 (September 27): DELIVERING SERVICE ON THE WEB

Textbook Readings: Fitz, Ch. 9 "Internet Services"

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 (25 points each):

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. If Monster.com were interested in a service guarantee, what should it be and why?

SERVICE FACILITY DESIGN AND LAYOUT

Textbook Readings: Fitz, Ch. 6, "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 elements of Shouldice's strategic service concept (both structural and managerial) account for the success of the hospital?
2. How does the Shouldice Hospital physical facility and layout support the service concept?
3. In what respects is Shouldice Hospital a successful service organization? Is its performance along these dimensions typical of other hospitals?
4. Could Shouldice be a model for other service firms? What would be the characteristics of candidate services?

Video: Shouldice Hospital (15 min.)

Session #6 (October 4): SERVICE FACILITY LOCATION

Textbook Readings: Fitz, Ch. 7, "Service Facility Location"

Case: **Athol Furniture, Inc.** (Fitz, Ch. 7)

Assignment Questions:

1. Utilizing the Huff location model found on the CD-ROM (with λ =1.00), recommend a store size and location for Athol Furniture, Inc. (AFI) that will maximize expected net operating profit before taxes. Assuming that AFI does not wish to consider a store smaller than 10,000 square feet, assess the store sizes, based on increments of 5,000 square feet up to the maximum allowable sales area for each potential site.
2. What is the expected annual net operating profit before taxes for the outlet you have recommended?
3. Try two other values of λ (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.

Computer Demo: HUFF Spreadsheet Model

SERVICE CONSOLIDATION

Packet Readings: "Learning from Customer Defections," Frederick F. Reichheld, *Harvard Business Review*, March-April 1996, 57-69.

Case: **Auto Collection: Ford's Better Idea for Selling Cars and Trucks** 9-800-030

The Auto Collection concept is a program to create consolidated service entities from groups of dealerships and run these as retail and service centers where salespeople use open, fair, and courteous sales methods.   Ford took this step for several reasons: 1) widespread customer distaste and distrust of

dealers, 2) success of GM customer-friendly Saturn dealers, and 3) independent consolidators began to enter the retail automobile market.

Assignment Questions:

1. What are the benefits and disadvantages of creating an Auto Collection to a) the Auto collection itself, b) Ford and FIECo, and c) Auto Collection customers?
2. Do the economies of scale and or scope that consolidation may deliver outweigh the diseconomies? In short, how does restructuring the industry create value?
3. Is radical change preferable to evolutionary change in this particular situation? How is it facilitated by a change in ownership?
4. A customer takes delivery on a brand new pickup. It was his first new vehicle, and he spent an inordinate amount of time picking out his new truck. Within a week after delivery, an engine noise began to occur. The truck was returned to the dealership, and based on a Technical Service Bulletin (TSB), a rather extensive repair was called for under warranty. When this option was explained to the customer he absolutely refused to accept the truck back unless a new engine was installed. Select and defend one of the following responses: 1) enforce the warranty procedure, 2) provide the customer an extended warranty plan at no cost to him with a value of $800, 3) replace the engine for the customer at a cost of about $2000 over the TSB procedure, 4) allow the customer to use your phone to contact the general manager of the automobile manufacturer's parts and service division.

Video: Ford Dealership in Phoenix Arizona (5 min.)

MODULE 4: MANAGING SERVICE OPERATIONS

Session # 7 (October 11): CREATING A SERVICE CULTURE

Textbook Readings: Fitz, Ch. 8, "The Service Encounter"

Case: **Amy's Ice Cream** (Fitz, Ch. 8)

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.

Video: University National Bank, Palo Alto California (10 min.)

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

THE SERVICE ENCOUNTER

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

Case: **Nordstrom**   9-579-218

The Nordstroms, comprising the senior management of the fashion department store of the same name, were faced in 1979 with questions about how and how fast to grow the company. 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 western United States. However, continued rapid growth would mean both more stores and an eventual move into more Eastern markets. Could Nordstrom maintain its growth without detracting from the factors that had contributed to its success?

The Washington State Department of Labor and Industries, 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. In response, the company established a $15 million reserve for settling back-pay claims. But the issue threatened the company's close-knit culture and former employees took strong positions for and against either the company or the union. Worse yet, eventually it could tarnish Nordstrom's reputation for providing outstanding customer service.

Assignment Questions:

1. Explain Nordstrom's success using the service encounter triad framework.
2. Is it expandable to new geographic markets?
3. How did Nordstrom's "sales per hour" control system result in the labor dispute?
4. How might Nordstrom avoid these labor disputes in the future?
5. What control system does "sales per hour" illustrate and what control system was not used at Nordstrom?

Video: The Nordstrom Boys (10 min.)

Session #8 (October 18): MANAGING THE SERVICE PROFIT CHAIN

Packet Readings: "Putting the Service-Profit Chain to Work," Heskett, Jones, Loveman, Sasser, Schlesinger, *Harvard Business Review*, March-April 1994, 164-174. (94204)

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 licensing the Apollo name, or by creating India's first HMO?

MANAGING QUEUES

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

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

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. Do you think Mrs. F is typical of most people waiting for a service?
4. After receiving the letter from Mrs. F, what should Dr. X do?
5. How could Dr. X prevent such incidents in the future?
6. Give examples of constructive ways that customers can respond to poor service?

<u>In Class Exercise</u>: **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.

<u>Video</u>:   Remember Me – The Customer (9 min.)

<u>Session #9 (October 25): MANAGING CAPACITY AND DEMAND</u>

<u>Textbook Readings</u>:   Fitz, Ch. 13, "Managing Capacity and Demand"

<u>In Class Exercise</u>:   **The Yield Management Analyst** (Fitz, Ch. 13)

1. Play game
2. Go to lecture
3. Replay game

<u>COMPETING ON SERVICE QUALITY</u>

<u>Textbook Readings</u>:   Fitz, Ch. 3, "Service Quality"

<u>Case</u>: **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.

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. Assuming that the system will not be abandoned, make recommendations for modifying or realigning the system to sustain it into the future.

ServiceModel Demo: Call Center Simulation

Session #10 (November 1): ACHIEVING TOTAL CUSTOMER SATISFACTION

Packet Readings: "The Power of Unconditional Service Guarantees," Christopher Hart, *Harvard Business Review*, July-August 1988, 54-62. (88405)

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.)

DELIVERING CUSTOMER SERVICE

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

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 #11 (November 8): 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.

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?

PROCESS INNOVATION

Textbook Readings: Fitz, Ch. 18, "Quality and Productivity Improvement"

Case: **Caruso's Pizza**   9-687-071

Caruso's Pizza is a small, entrepreneurial restaurant chain. Its owner is considering the expansion of an experimental pizza delivery system (called "express delivery") that involves a major process innovation, producing pizzas to inventory rather than to order. The system promises faster delivery of higher-quality pizza, but, as yet, is an unproven technology. At the same time, a second process innovation, a computerized, one-phone-number order entry system is under consideration.

Assignment Questions:

1. What are the strengths and weaknesses of the two pizza delivery systems?
2. Why isn't Caruso's express delivery operation profitable?
3. How great is the threat of a competitive response to Caruso's implementation of express delivery or one-phone number systems?
4. What expansion strategy would you recommend to Jim Caruso? Does this require the development of a network of delivery units? Would it suggest that Caruso's purchase a computerized one-phone-number order entry system?

Session #12 (November 15): SERVICE OUTSOURCING

Textbook Readings: Fitz, Ch. 15, "Service Supply Chain Management"

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 concept of substitution of information for physical assets?
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.)

EXPLOITING THE VIRTUAL VALUE CHAIN

Packet Reading: "Exploiting the Virtual Value Chain," Rayport and Sviokla, *Harvard Business Review*, November-December 1995, 75-85. (95610)

Case: **United Services Automobile Association** 9-188-102

USAA is well known for its pioneering spirit in providing insurance products and financial services to its members. That same spirit and innovative attitude is evident in the use of IT to reduce operating cost, accommodate growth, and improve services. USAA has been the pacesetter for insurance industry automation.

Assignment Questions:

1. What business is USAA in and how has that business evolved since the early 1970s?
2. What competitive advantages does USAA have providing automotive insurance to exclusively
     military officers?
3. USAA is widely recognized as leader in the use of IT within the insurance industry. What factors
     have contributed to USAA's successful use of IT?
4. What are the challenges that USAA faces in the years ahead? How well positioned is ISD to help
     USAA meet these challenges?

CD-ROM: USAA (10 min.)

Session #13 (November 29): 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. 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 costs.
3. Using queuing formulas calculate the expected waiting time in the order preparation queue. Compare this value with your simulation result and comment.
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?

CULTURAL TRANSFERABILITY

Textbook Readings: Fitz, Ch. 19, "Growth and Global Expansion"

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?
2. Critique the decision to locate Euro Disney in France outside Paris?
3. Is there a cultural explanation for the difficulties Disney is having in France?
4. Critique the design of Euro Disney and the attempt to accommodate European culture?
5. Make recommendations that address the low attendance and sub-standard (by Disney parks elsewhere) service levels.

<u>Video</u>: Disney Service Culture and Casting (15 min.)

Task Due : FINAL EXAM CASE

<u>Session #14 (December 6): PROJECT PRESENTATIONS</u>

Session	Date	Topic	Case	Source

Module 1: Services and the Economy

1	8/30	Services in the Economy		
		The Nature of Services	Xpresso Lube	Fitz
	Due:	FORM TEAMS and SELECT CASES		

Module 2: Creating Breakthrough Services

2	9/6	Market Positioning	America West Airlines	Fitz
		Launching an Innovative Service	Southwest Airlines (A)	Packet
3	9/13	New Service Development	Alaska Airlines	Packet
		Building Customer Loyalty	Ritz Carlton	Packet
4	9/20	The Service Delivery System	100 Yen Sushi House	Fitz
		Achieving Breakthrough Service	Taco Bell Corp.	Packet
	Due:	PROJECT PROPOSAL (E-mail)		

Module 3: Structuring the Service Enterprise

5	9/27	Delivering Service on the Web	Monster.com	Packet
		Service Facility Design and Layout	Shouldice Hospital	Packet
6	10/4	Service Facility Location	Athol Furniture, Inc.	Fitz
		Service Consolidation	Auto Collections: Ford Better Idea	Packet

Module 4: Managing Service Operations

7	10/11	Creating a Service Culture	Amy's Ice Cream	Fitz
		The Service Encounter	Nordstrom	Packet
	Due:	PROJECT OUTLINE/WtA DRAFT SURVEY (E-mail)		
8	10/18	Managing the Service Profit Chain	Apollo Hospitals of India	Packet
		Managing Queues	Eye'll Be Seeing You	Fitz
9	10/25	Managing Capacity and Demand	Yield Management Game	Fitz
		Competing on Service Quality	AT&T Universal Card Services	Packet
10	11/1	Achieving Total Customer Satisfaction	FedEx: The Money Back Guarantee	Packet
		Delivering Customer Service	British Airways	Packet
11	11/8	Franchising with Quality	Fairfield Inn (A)	Packet
		Process Innovation	Caruso's Pizza	Packet
12	11/15	Service Outsourcing	Laura Ashley and FedEx Alliance	Packet
		Exploiting the Virtual Value Chain	USAA	Packet

Thanksgiving

13	11/29	Service Process Analysis	Pronto Pizza	Fitz
		Cultural Transferability	Euro Disney: The First 100 Days	Packet
	Due:	FINAL EXAM CASE		
14	12/6	Project Presentations		

Service Management

Case Write-up and Discussion Choices

Date Due	Harvard Case	Write-up Priority (Make 6 Choices)	Discussion Priority (Make 3 Choices)
9/6	Southwest Airlines		
9/13	Alaska Airlines		
9/13	Ritz Carlton		
9/20	Taco Bell Corp.		
9/27	Monster.com		
10/4	Auto Collections: Ford Idea		
10/11	Nordstrom		
10/18	Apollo Hospitals of India		
10/25	AT&T Universal Card Service		
11/1	British Airways		
11/8	Fairfield Inn		
11/8	Caruso's Pizza		
11/15	Laura Ashley & FedEx Alliance		
11/15	USAA		
11/29	Euro Disney		

Team Members: _____

_____

_____