

MBA ELECTIVE AUTUMN TERM 2001



SERVICE MANAGEMENT & STRATEGY

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Course Code: E182

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Service Management and Strategy

Autumn 2001 – Course Code : E 182

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**All classes are on
Tuesdays
1800 – 2100
in LT 4
Simulation
exercise rooms
are listed on the
Time Table and on
the Forum**

Course Background & Objectives

Service is now the largest employer in most developed countries, and many of the major service organisations from American Express to Singapore Airlines, from TNT to Disney operate globally. Service is also being transformed by the new media from sophisticated telecoms to the web. This course focuses on the strategies for managing service firms who are operating in this environment. The objectives of this course are to develop your understanding and skills in the strategic management of service. It is a broad course covering operations, new media, marketing, and HRM from strategic service viewpoints. We intend to do this through developing and using a wide range of concepts and frameworks within a case based approach. We will examine some of the tools and frameworks used by leading service organisations, such as the service profit chain. The course will examine the issues facing organisations operating globally including operating in different countries, developing globalisation strategies and global outsourcing. IT is having a major impact on services from enabling international outsourcing, to the development of new services and increased customer intimacy. The differences between different types of service from professional mass services will be examined. Use will be made of web based case studies and web based resources.

The course has the following objectives:

1. Develop an understanding of strategic issues in service organisations with a particular focus on the new economy
2. Develop an understanding of the impact of international context on service management, and the managerial considerations needed for firms operating in a global context.
3. Acquire skills in diagnosing strategic pitfalls and evaluating service firms
4. Learn key frameworks, tools and techniques for strategic analyses, design and reengineering of service firms

Service as an experience

Improving our understanding of service is greatly improved if we observe the service systems of services that we come into contact with. During the process of this course, you will be required to observe and critically comment on service experiences.

Suggested further reading: R. Chase, 'The mall is my factory, reflections of a service Junkie', Production & Operations Management, Winter 1996

Grading

The course grading will be based on

1. Two executive case summaries (two pages maximum) (30%)
2. Class participation and contribution (20%)
3. Group Project (50%)

Executive Summary

You may write an executive summary on any case except the British Airways cases. The summary should be based on analysis of the issues and context of the case, diagnosis of problems, if any; drawing on appropriate frameworks from the course, and present argued conclusions. The case questions should help you analyse the case, but you should not just answer the questions one by one, in your executive summary.

It should be handed in prior to the class in which the case is discussed. It can be submitted via email or as a set of web pages.

Group Project

You are required to work in groups (group size minimum 4, maximum 7) on one of the following two activities:

Option 1 - A Field Study

The group is required to study a service organisation. The study should not be a pure description, but should involve critical evaluation and/or identification of key issues. It should use the concepts developed during the course where appropriate.

Some of the questions that you might ask yourself are:

At whom is this service targeted? What is the service concept, stated in terms of results produced for the customer? How is it being positioned in relation to customer needs and competitive offerings? How are the Human resources managed?, Are the key service processes well designed and managed, how is performance measured and managed? To what degree does it provide value (high service at low cost) and profit?

Service Benchmarking Tool: The OTM group at LBS, in conjunction with the Confederation of British Industry, The University of North Carolina and the University of Southern California, have developed a tool for service benchmarking (cf. www.london.edu/otm International Service Study). This can be made available to groups to help them in their studies on condition that it is applied properly and that feedback is given to companies. Please see us if you would like to use it.

The report, not exceeding 3000 words, should be submitted via email by January 7, 2002.

Option 2 - Any research topic focused on an aspect of service management.

We can provide initial readings and references (the subject requires our approval).

Timetable

Service Management & Strategy

Class	Date	Topic and Readings
		NT = Nikos Tsirikrisis CV = Chris Voss
1	Oct 2 CV	Service Strategy I Case: Chicago Pizza Pie Factory Readings: <ul style="list-style-type: none"> ▪ Service and Value in e-Commerce ▪ Voss C.A. 'Developing an e-Service Strategy'
2	Oct 9 NT	Service Strategy II Case: Southwest Airlines (A), Southwest Airlines 1993 (A) Yield/Revenue Management Case: www.easyRentacar.com Readings <ul style="list-style-type: none"> ▪ Yield Management at American Airlines ▪ The Strategic Levers of Yield Management ▪ Want to Perfect Your Company's Service? Use Behavioral Science
3	Oct 16 CV	Service Design Case: Advanced Book Exchange, Alibris What is service in a web-based environment? <ul style="list-style-type: none"> ▪ Discussion of individual findings Use of Information in Services Cases: British Airways: Using Information Systems to serve customers better British Airways – Service Recovery "A" and "B"
4	Oct 23 NT	Service Profit Chain RGP Financial Services in-class Interactive Simulation [seminar rooms in Sainsbury Wing ground floor] Readings: <ul style="list-style-type: none"> ▪ Putting The Service Profit Chain to Work Quality on the Web <ul style="list-style-type: none"> ▪ E-Loyalty: Your Secret Weapon on the Web
5	Oct 30 NT	Service Quality / Customer Relationship Management Case: AmEx Membership Rewards Europe Readings: <ul style="list-style-type: none"> ▪ Lessons from a Ten Year Study of Service Quality in America ▪ Zero Defections: Quality Comes to Services

6	Nov 6 NT	<p>Professional Services / Outsourcing Case: HCL America Reading: <ul style="list-style-type: none"> ▪ Maister - Balancing the professional Service Firm Service Supply Chains: Guest Speaker from Evolve</p>
7	Nov 13 CV	<p>Channel Choice Case: Woolwich Open Plan (A) Readings: <ul style="list-style-type: none"> ▪ Get the Right Mix of Bricks and Clicks ▪ The Bottom Line: the Economics of Channel Selection </p>
8	Nov 20 NT	<p>Customer Lifetime Value Case: Grupo IUSACELL (A) Improving Service Organizations Ncompass software [simulation exercises in E wing seminar rooms] Acebank, Cumberland minicases</p>
9	Nov 27 CV	<p>The Experience Economy Cases: PY and the Dome, EuroDisney – the first 100 days Reading <ul style="list-style-type: none"> ▪ Welcome to the Experience Economy </p>
10	Dec 4 CV	<p>International Service Strategy Case: BAA International Operations Reading: <ul style="list-style-type: none"> ▪ Lovelock C., and Yip G., 'Developing Global Strategies for Service Businesses', California Management Review, 38,2, Winter 1996 </p>

Preparation Questions

These are the questions to aid you in preparation of the Service Course. They are useful guidelines for analysing the case, but a full analysis may need to go further, and a case write up should not just be a set of answers to these questions.

Session 1 – Chicago Pizza Pie Factory

1. Chart the process flow: i.e. the flow of customers and the sequence of activities
2. Why has the CPPF been so successful? Critically examine its strengths and weaknesses.
3. What should Bob do next?

Session 2a - Southwest Airlines (A), Southwest Airlines 1993 (A)

Southwest Airlines (A)

The case provides perspective on the birth of Southwest Airlines; please regard it as a historical document that nevertheless poses an interesting dilemma. In thinking about these materials, ask yourself:

1. What were the strengths and weaknesses of Southwest's business plan at its founding?
2. What will the management of this airline have to do well to improve chances of success?

Southwest Airlines: 1993 (A)

Define the strategy of Southwest Airlines. Identify how their marketing strategy contrasts with others and how their operations have been appropriately organised to support the strategy.

Session 2b - www.easyRentacar.com

1. Is the car rental market an attractive place to compete?
2. How can easyRentacar deliver such low prices?

Session 3a - [Service Design – Part One] Advanced Book Exchange/Alibris

www.abebooks.com, www.alibris.com

1. What is service that ABE books is offering to its various stakeholders
2. What would the benefit be of collaboration to ABE? to Barnes and Noble?
3. What would you recommend to ABE?
Go to the web sites of both companies,
Search for a book that you would like and maybe hard to find, for example a favourite book from when you were young.
4. Compare and contrast the strategies of ABE books and Alibris. What are the strengths and weaknesses of each?

Session 3b - [Service Design – Part One]
British Airways: Using Information Systems,
British Airways – Service Recovery (A) and (B)

1. What is the objective of BA developing the customer information systems described in the case? How effective has it been in meeting their needs?.
2. What might they do further to exploit the information gathered by these systems?
3. Has it successfully integrated its information-based approach to managing customer service with its approach to mobilising human resources?
4. How well have BA handled the problems of Professor Voss? What should they do next?

Session 4 - Service Profit Chain
In class interactive simulation

Session 5 - American Express Membership Rewards Europe

1. How would you assess the cost/benefit of such a programme? What do you think of its profit potential?
2. How attractive is the programme for Amex cardholders? What would you do to enhance its attractiveness without jeopardising its profitability?
3. How do they differ from other card providers?
4. How attractive is this programme for American Express's partners? What is the profile of an ideal partner?
5. How coherent is this programme with AMEX's strategy and capabilities?
6. What are the issues facing American Express Europe?

In addition you should identify other industries taking similar approaches (how many frequent flyer, customer loyalty type schemes are you enrolled in) - how are they doing it? What are the strengths and weaknesses?

Session 6 - HCL

1. How successful is HCL? What is holding it back?
2. What is the business that HCL is in? Examine this with reference to Telogy :
 - Should Sateesh Lele hire HCL America to help overhaul Telogy's computer system?
 - Which of HCL America's three services (on-site temporary engineer, projects at its US facilities & off-sourcing) would seem meet Lele's needs best?
 - What are the pros and cons of using offshore labour for a service project?
3. How should HCL respond to issues that it is facing?

Session 7 - "The Woolwich Bank – Project Lifestyle"

www.woolwich.co.uk

1. Prepare a business case for John Stewart to present to the board to justify the £125 million further investment in Open Plan.
2. What is the business model for Open Plan? – use the figures in the case. What are the key assumptions and uncertainties?
3. Compare and contrast Woolwich's strategy with that of the Egg bank (and other internet banks you may be familiar with).
4. What implementation issues should the Woolwich be paying attention to?
5. What criteria would you set for judging the success of Open Plan in the future (12-18 months time)

Session 8 - Grupo IUSACELL (A)

1. What is the economic value of an IUSACELL cellular customer? What factors fundamentally influence your calculations?
2. Evaluate IUSACELL's customer service initiatives and their effect on customer loyalty?
3. What actions would you, as Guillermo Heredia, take to improve IUSACELL's financial performance?
4. Do you agree that IUSACELL should become a full service telecommunications provider in Mexico and throughout Latin America? Why?

Session 9 - PY and the Dome

1. Acting as PY, what strategy will you implement to show results to your stakeholders and the media in 10 days? Prioritise the activities and specific actions plans, who will implement the steps, what are they supposed to do, how will they measure performance, how will the costs get covered, etc.
2. Does the Dome work as an "experience?" Why or why not? What would you do to improve the "experience" at this point?
3. Give your expectation of yearly attendance and how you expect to achieve these figures. How much revenue can the Dome expect to bring in with your attendance figures and strategy changes?

Session 10 - BAA International Operations

1. Evaluate BAA's US activities - what are they key success factors? What could be improved?
2. What is the difference between airport and regular retailing? How does this affect the design of retail operations?
3. What are the distinctive capabilities of BAA?
4. What should the core ingredients of an international strategy for BAA involve? What should Sir John Egan target? What should he avoid?
5. Think about service guarantees - where are they successful? Where do they fail?

Research into web-based service

**To be done in week 2,
a one page summary to be brought to class in week 3**

The minimum required assignment is to review the web response service levels of at least six organisations. Where possible include pairs of internet only service providers/retailers and companies providing service/retailing on the web in addition to existing channels.

1. Contact each organisation by email from its web site. (Using forms if appropriate). Note if there is no way of contacting the organisation

2. Send an enquiry. Examples of a topic for an enquiry include:

Bank	Opening an online account, Location of nearest branch
Travel	Method of payment, Ticket collection
Retailing	Method of payment, Goods delivery
Utility	Area of coverage, paying bills
Computers	Method of payment, technical enquiry
Business School	Is there a minimum GMAT, Application timetable

3. Record

- The time the message was sent
- The time the first response, and substantive response (if different) was received

4. Record qualitative aspects of the service

- The quality of the response
- Supplementary service (status checks, FAQs etc)
- Etc

You may work in groups - if you do each member of the group should send the same message, but from a different web address.

From your broader experience of using the web - what do you find as sources of:

- Good service
- Poor service