

Services Marketing and Management, MKT 591

Trimester 3

February 26 – May 8, 2008

Instructor: Dr. Mary Jo Bitner
Class Sections: T/TH 1:00-2:50, BA451
Office Hours: BAC451, Tu 11-12 Noon; Th 3:00-4:00 PM and by appointment
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Course Description

Services dominate the US economy and are becoming critical for competitive advantage in companies across the globe and in all industry sectors. For manufacturers like GE and IBM, services represent their primary growth and profitability strategies in the 21st century. Over half of IBM's current revenues and over 60 percent of GE's current profits come from services. Superior service quality drives the competitive advantage of excellent companies like Charles Schwab, Marriott Hotels, Starbucks, and FedEx—traditional service businesses. In fact, recent award-winning publications espouse the view that “all businesses are service businesses.”

The course focuses on challenges of managing service brands and delivering quality service to customers across industry sectors. The attraction, retention, and building of strong customer relationships through quality service (and services) are at the heart of the course content. The course is equally applicable to organizations whose core product is service (e.g., banks, transportation companies, hotels, hospitals, educational institutions, professional services, telecommunication, etc.) and to organizations that depend on services for competitive advantage (e.g., high technology manufacturers, automotive, industrial products, etc.).

In this course you will learn critical skills and gain knowledge needed to implement quality service and service strategies for competitive advantage across industries. You will learn frameworks for customer-focused management, and how to increase customer satisfaction and retention through service strategies. You will learn about the strong linkages between service quality, customer lifetime value and profitability. You will learn to map services, understand customer expectations and develop service and customer-focused relationship marketing strategies that lead to strong service brands. Throughout the course an emphasis is placed on the total organization and how effective marketing and customer focus must be coordinated across multiple functions.

An underlying assumption of this course is that students learn best and retain the most through active participation in the learning process. Therefore, classroom sessions will consist of a mixture of short lectures, student discussions of material and assignments, case discussions, media presentations, active learning exercises, and guest speakers.

Objectives

- to prepare for your summer internship (SMSL students in particular) and courses in your second year by developing a solid foundation of knowledge and skills in services marketing and management;
- to gain an appreciation for the challenges inherent in marketing and managing services, and developing/delivering quality service;
- to learn strategies, tools and approaches for addressing the challenges of services management and marketing;
- to develop essential service quality knowledge and skills and be prepared to apply them in summer internships and other business contexts;
- to become a more perceptive and effective manager and consumer through understanding the complexities of service design, delivery, and communication—all aimed at building sustainable service brands;
- to learn an appreciation of the inter-functional coordination necessary to deliver quality service;
- to further develop communication skills and critical thinking through written projects, cases, in-class discussions, and other assignments.

Required Text

Services Marketing: Integrating Customer Focus Across the Firm (4th edition) by Valarie A. Zeithaml, Mary Jo Bitner, and Dwayne Gremler, McGraw-Hill, 2006; can be purchased at the ASU bookstore. (My royalties on the purchases of these books by students in the class are donated to United Way.)

Required Cases and Readings

Four of the required discussion cases (Jyske Bank, GE Medical Systems, Shouldice Hospital and Giordano) can be found in the back of the text (and noted as such on the syllabus); one case (an original, brand new case on JetBlue) will be provided as a download on the BlackBoard site. One additional case (Merrill Lynch) and a few readings are found in a CoursePack for the class, published by XanEdu and available online through their website. Information for accessing the CoursePack was sent in an e-mail on February 22.

Recommended Book (not required)

Discovering the Soul of Service by Leonard L. Berry, The Free Press, 1999.

Supplemental Readings (not required)

You will be provided with a list of supplemental readings from *Fortune*, *Business Week*, and *Harvard Business Review*, *Sloan Management Review*, *Journal of Marketing* and others. Relevant readings are keyed to related topics on the syllabus. The readings are available in the library, and many are available online.

In addition, you will be provided with a book list of services marketing and management books that you may choose to read now or in the future.

You are encouraged to be current with the *Wall Street Journal* and other business periodicals where you will find many articles relevant to our course content.

Grading

Your grade will be determined based on your performance on the following assignments.

| | Points | Due Date |
|---------------------------|---------------|--|
| Service Encounter Journal | 40 | March 18 |
| Exam 1 (in class) | 100 | March 25 |
| Team Project | 180 | April 29 (written) May 1 (presentation) |
| Exam 2 (take home) | 100 | May 7 (Weds) |
| Case Participation | P/F | throughout |
| In-class Contributions | 80 | throughout |
| Total | 500 points | |

Exam 1

The purpose of the first exam is to test your understanding of fundamental course concepts and frameworks, and how to use them. The exam may include short answer, essay or short case analyses. There will be no make-up exam, except in case of illness and provided you notify Dr. Bitner prior to exam time.

Exam 2

The purpose of the second exam is for you to provide evidence of your comprehensive understanding of course concepts and your ability to apply them. The exam will be a take-home exam and may involve a case analysis and/or integrating questions that require critical thinking.

Team Project – Service Blueprint and Brand Analysis

Working in small teams of 4 (or 5 maximum) people, you will choose a real service to analyze. You will be asked to develop a service blueprint for the service (see chapter 9 and class session on April 3), and to analyze the blueprint and service brand using course concepts. Insights revealed by the blueprint as well as recommendations for service improvement and brand strategy based on your analyses will be included as part of the assignment. A separate handout describing the details of this assignment will be provided.

Case Participation

We will discuss six cases during the course. **Case preparation questions for each case are included at the end of the syllabus.** You will be given credit for your participation in each case session. Cases will be assessed on a pass/fail basis according to your level of participation—points will be deducted from your grade for non-participation as described below.

To get full credit for each case, you must participate meaningfully in the discussion and turn in your written preparation notes for each case. Written preparation notes will address the case questions provided and will be turned in **at the beginning of the case discussion** (make a copy for yourself so you will have something to refer to during class). Your notes should be typed. Notes will not be graded per se, but will be assessed on a “√-, √, √+” basis to assure that you are prepared. Your case participation will count as part of your overall “in-class contributions” score. Turning in notes written by someone other than you is considered plagiarism and is unacceptable.

If you are absent during a case discussion, your course grade will be reduced by 3 points.
If you do not turn in your notes, your grade will be reduced by 3 points for each missing case.

In-Class Contributions

Active student participation in class is essential for your learning and to the success of the class. Therefore, you will be evaluated on your individual overall participation including regular attendance, contributions to class and case discussions, and completion of exercises in class. Your primary attention should be to the quality of your participation, not simply quantity. To make quality comments you must read text chapters and readings and complete any out-of-class assignments prior to class time. In addition, you will need to attentively follow the discussion in class so that your comments will build from what others have said. Clarity and conciseness will be highly valued. If you wish feedback on your level of participation, you may visit with Dr. Bitner at any time during the term.

**Services Marketing and Management, MKT591
Trimester 3, Spring 2008
Assignments and Due Dates**

SERVICE STRATEGY

- Feb 26 *Course Introduction and Frameworks for Services*
Read: Chapters 1-2, and all text “Part Openers”
- Feb 28 *Gaps Model of Service Quality*
Read: “2006 Customers First Awards” by Fast Company Magazine (in Fast Company Archives, September 2006): <http://www.fastcompany.com/customer/>.
Review this web site and read a few of the articles.
Assignment: JYSKE BANK CASE, text, pp. 582-601
In class: Begin Forming Teams
- March 4 *Financial Impact of Service and Quality*
Read: Chapter 18
Rust, Roland, Christine Moorman and Peter R. Dickson (2002), “Getting A Return on Quality” *Journal of Marketing* (in XanEdu CoursePack; focus on pp. 1-10 and 19-21; skim pp. 10-18)
Assignment: Prepare discussion question 3, p. 528 of text (for discussion only—not to turn in)
TEAM NAMES DUE
- March 6 *All Businesses Are Service Businesses*
Read: Sawhney, Mohanbir, Sridhar Balasubramanian and Vish V. Krishnan (2004), “Creating Growth with Services,” *Sloan Management Review* (in XanEdu CoursePack)
Assignment: GE MEDICAL SYSTEMS CASE, text, pp. 647-663
- March 10-14 – SPRING BREAK
- March 18 *All Businesses are Service Businesses (cont’d)*
Executive Guest Speaker, Sara Moulton-Reger, IBM
Read: “Hiding in Plain Sight”, an IBM publication (download off course BlackBoard site)
Assignment: SERVICE ENCOUNTER JOURNAL DUE

FOCUS ON THE CUSTOMER - THE CUSTOMER GAP

March 20 *The Customer Gap – Expectations and Perceptions of Service*
Read: Chapters 4, 5
Assignment: Review The American Customer Satisfaction Index (ACSI) website at <http://www.theacsi.org> (Consider the following questions: What is ACSI? What is the trend in customer satisfaction in service businesses? How do services compare to tangible products in terms of customer satisfaction? Choose one service industry in the ACSI and review the trends in that industry since the ACSI was created.)

March 25 **EXAM 1 (in class)**

Weds, March 26 **5:30-6:45 PM, BA 199A**
(make up for April 17) *Executive Guest Speaker, Greg Reid, Executive Vice President and Chief Marketing Office, YRC Worldwide*
Refreshments will be served from 5:00-5:30 in the Dean's Patio

MANAGING CUSTOMER REQUIREMENTS – Gap 1

March 27 *Customer Research and Building Customer Loyalty*
Read: Chapters 6, 7
Assignment: Customer Relationship Value assignment (in class)
TEAM PROJECT TOPIC DUE

April 1 *Service Recovery*
Read: Chapter 8
Assignment: JET BLUE CASE (download off course BlackBoard site)

ALIGNING STRATEGY AND SERVICE DESIGN - GAP 2

April 3 *Service Design, Blueprinting, and Standards*
Read: Chapter 9 (skim chapter 10)
Stuart, F. Ian, "Designing and Executing Memorable Service Experiences: Lights, Camera, Experiment, Integrate, Action!" *Business Horizons*, March-April 2006 (download off course BlackBoard site)
Bitner, Mary Jo, Amy Ostrom and Felicia Morgan, "Service Blueprinting: A Practical Technique for Service Innovation," *California Management Review*, forthcoming, Spring 2008 (download off course BlackBoard site)

Assignment: Service Blueprinting exercise (in class)

April 8

Servicescapes and Physical Evidence of Service

Read: Chapter 11

Berry, Leonard and Neeli Bendapudi, "Clueing in Customers", *HBR*, February 2003 (in XanEdu CoursePack)

Assignment: SHOULDICE HOSPITAL CASE, text, pp. 682-694

DELIVERING AND PERFORMING SERVICE – GAP 3

April 10

Employees' Roles in Effective Service Delivery

Read: Chapter 12

Assignment: MERRILL LYNCH: SUPERNOVA CASE (in XanEdu CoursePack)

April 15

Customers Roles in Effective Service Delivery

Technology's Role in Services

Read: Chapter 13

Bitner, Mary Jo, Amy L. Ostrom and Matthew Meuter, "Implementing Successful Self-Service Technologies," *Academy of Management Executive*, November 2002 (download off course BlackBoard site);

"The Toll of a New Machine",

<http://www.fastcompany.com/magazine/82/kinetics.html>;

"The Quality Improvement Customers Didn't Want", text pp. 621-626.

April 17
26)

NO CLASS (made up earlier in the term on Wednesday, March

MANAGING SERVICE BRAND PROMISES – GAP 4

April 22

Integrated Communication and Service Branding

Read: Chapter 16

Mitchell, Colin, "Selling the Brand Inside," *Harvard Business Review*, January 2002 (in XanEdu CoursePack)

Assignment: GIORDANO CASE, text pp. 602-617

April 24

Executive Guest Speaker, TBD (date may need to be adjusted)

THE BIG PICTURE – PULLING IT ALL TOGETHER

April 29

Service Science, Innovation and Leadership

Read: “Services Science in Business Schools:

Evolution and Discovery,” *CACM Journal*, July 2006

(copies will be provided); “The Service Imperative,” *Business Horizons*, January-February 2008 (download off course BlackBoard site)

WRITTEN TEAM PROJECTS DUE

May 1

12:00-3:00 PM

TEAM PRESENTATIONS (note extended time)

peer evaluations due

take home exam handed out

May 7 (WEDS)

TAKE HOME FINAL DUE IN COURSE DROP BOX

CASE DISCUSSION QUESTIONS

(questions to be prepared in advance of each case discussion; turn in your answers at the beginning of class, keeping a reference copy for yourself to use during the discussion)

Jyske Bank questions—February 28:

- (1) What is Jyske Bank's new positioning or competitive differentiation strategy?
- (2) What changes did the bank make to get to its new position? What effect did these changes have?
- (3) Analyze Jyske Bank's success using the Service Quality Gaps Model—Chapter 2 (e.g., what are Jyske Bank's strategies for closing each of the 5 gaps in the model?).
- (4) In your opinion can Jyske Bank sustain its growth and success? Would you invest in Jyske Bank?

GE Medical case questions—March 6:

- (1) Why are GE and other manufacturing firms focusing on services as high-priority growth strategies?
- (2) What are the services offered by GE Medical Systems? Who are their customers?
- (3) Describe TiP and the philosophy/strategy behind it. What are the goals of TiP? How does it fit GEMS overall strategy? What are the benefits to customers?
- (4) Although TiP-TV can be purchased on a stand-alone basis, the majority (80%) of subscriptions sold include a GEMS service contract that “masks” the fee for TiP-TV. What must GEMS do to transition its customers from a “free” to a “fee” mentality? What are the arguments for and against “free” vs. “fee”? [This is one of the biggest issues for firms moving into services as a profit strategy.]

JetBlue—April 1:

- (1) Before the Ice Storm:
 - What is the “JetBlue Experience” and how is it related to the company's overall business strategy?
 - What challenges did the airline face in managing the customer experience as the airline grew rapidly and how did they respond?
- (2) During the Ice Storm:
 - What exactly went wrong? Why? Who, or what, was responsible?
 - Did the airline handle the crisis well—why or why not? What else could JetBlue have done to improve the situation?
- (3) Looking Ahead:
 - What are the potential negative consequences for JetBlue resulting from the situation?
 - What do you think of the Customers' Bill of Rights as a service guarantee? Will it help the company regain customer loyalty?
 - What further strategic and/or leadership actions should JetBlue take to ensure the company's future success and their ability to deliver the JetBlue Experience?

Shouldice Hospital Limited (Abridged)— April 8

- (1) What is the bundle of benefits purchased by clients (patients) at Shouldice? In other words, what is the Shouldice value proposition?
- (2) What is the target group of clients and what do they have in common, apart from a hernia?
- (3) How are the benefits delivered to those clients—how does the production process work? You might like to think of this as a factory with people as the work in process. Consider blueprinting a portion of the process. Does the production or delivery process match the value proposition?
- (4) Does Shouldice offer a superior value proposition relative to its competitors? How successful is the Shouldice Hospital? How do they balance low cost with high quality?
- (5) What is it like to work there? How does the work environment compare to a typical hospital?
- (6) What are the growth alternatives available to Shouldice? What would you recommend?

Merrill Lynch: Supernova – April 10

- (1) What does Supernova offer to Merrill-Lynch? Does Merrill-Lynch need Supernova to be successful or grow in the future?
- (2) What is Supernova and how is it different from traditional financial advising models? What is the value proposition for customers?
- (3) What changes were required to implement the Supernova process—for FAs? For Merrill-Lynch itself? What were the risks and potential benefits for both?
- (4) Paint a picture of a Financial Advisor's day using the Supernova process. How is this different from typical day under the old process?
- (5) How would you recommend Merrill-Lynch as a company proceed in rolling out Supernova? What are the challenges and hurdles that must be overcome for it to succeed? How can they overcome these challenges?

Giordano – April 22

- (1) What is Giordano's positioning and competitive differentiation strategy? Discuss its key success factors at the time of the case.
- (2) How are the company's service design strategies (e.g., people, process, physical evidence) linked to its market position? In other words, how does Giordano align its service design with customer expectations?
- (3) Can Giordano sustain its focus on high quality service and value-for-money as it grows? In your opinion, which strategy provides the greater sustainable competitive advantage?
- (4) Can Giordano transfer its key success factors to new markets as it expands both in Asia and the rest of the world?