

Red McCombs School of Business
The University of Texas at Austin

SERVICE MANAGEMENT MAN 386.1, MSC 386.1, and MKT 382

Spring 2006

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Classroom: CBA 4.348
Meeting: MW 12:30-2
Unique No.:
Office Hours: MW 10-12

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 *fourth 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. Restate the question and address each individually.
- (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. Exhibits do not count towards the five page limit.
- (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 *fourth 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 *eight session* of class with a first draft to be reviewed by the *twelfth 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 144-147 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 *third session*, I will distribute a seating chart. 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:

<u>Team:</u>	Written Case Analysis 2 @ 10%	20%
	Facilitate Case Discussion	10%
	Project	10%
<u>Individual:</u>	Written Case	35%
	Class Participation	<u>25%</u>
		100%

COURSE MATERIALS

1. Fitzsimmons, James A., and Mona J. Fitzsimmons, *Service Management: Operations, Strategy, and Information Technology*, 5th Ed., Irwin/McGraw-Hill, 2006. (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 *readings*? |_|_|_|_|
- 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? |_|_|_|_|

DETAILED COURSE OUTLINE

MODULE 1: SERVICES AND THE ECONOMY

Session #1 (January 18): 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?

Session #2 (January 23): THE NATURE OF SERVICES

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

Case: **Village Volvo** (Fitz, Ch. 2)

Assignment Questions:

1. Describe Village Volvo's service package.
2. How are the distinctive characteristics of a service firm illustrated by Village Volvo?
3. Characterize Village Volvo 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. How could Village Volvo manage its back office (i.e., repair operation) like a factory?
5. How can Village Volvo differentiate itself from Volvo dealers?

MODULE 2: CREATING BREAKTHROUGH SERVICES

Session #3 (January 25): 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.

Session #4 (January 30): 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 # 5 (February 1): 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 #6 (February 6): 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 #7 (February 8): BUILDING CUSTOMER LOYALTY

Packet Reading: "The Mismanagement of Customer Loyalty," Werner Reinartz and V. Kumar., *Harvard Business Review*, July. 2002, 86-94. (R0207F)

"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 #8 (February 13): 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 #9 (February 15): INTERNET FACILITATED SERVICE

Textbook Readings: Fitz, Ch. 5 "Technology in Services"

Case: **Monster.com: Success Beyond the Bubble** 9-802-024

Jeff Taylor, founder and CEO of Monster.com, the leading online career search provider, noted that growth, while still remarkable, was slowing. Despite the slowdown, Taylor believed great opportunities lay ahead because as the baby boomers near retirement a severe labor shortage will result.

Assignment Questions:

1. Why has Monster.com been successful? What features of Monster.com make it an ideal service for Internet delivery?
2. What is Monster.com's value proposition to its customers? How does this compare to what is available from competitors and substitutes?
3. If you were a publisher of a major newspaper, how would you respond to the Monster.com?
4. Should Taylor support the MonsterLearning and MonsterMoving initiatives? Discuss how the concept of "scalability" applies in the case.

Session #10 (February 20): SERVICE FACILITY LOCATION

Textbook Readings: Fitz, Ch. 9, "Service Facility Location"

Case: **Athol Furniture, Inc.** (Fitz, Ch. 9)

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 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.

Excel Model: HUFF Retail Location Model

Session #11 (February 22): SUPPORTING FACILITY DESIGN

Textbook Readings: Fitz, Ch. 8, "The Supporting Facility"

Case: **Shouldice Hospital Limited (Abridged)** 9-805-002

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 do 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.)

Session #12 (February 27): SERVICE SHARING

Case: **Zipcar: Refining the Business Model** 9-803-096

The expense of owning or leasing a modest car in urban locations can exceed \$500 per month when insurance and parking expenses are included. Using a web site for reservations and wireless communication the concept of car sharing has become a reality with Zipcar and the tag line "wheels when you want."

Assignment Questions:

1. Perform a SWOT (Strengths, Weaknesses, Opportunities, and Threats) analysis of the Zipcar concept?
2. Describe the Zipcar business model. Could all services be viewed as customers sharing resources?
3. Critique the performance to date of Robin Chase and Antje Danielson?
4. What actions should Chase take as a result of the September operating results (Ex. 8b)?

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

Session #13 (March 1): SERVICE PROCESS ANALYSIS

Textbook Readings: Fitz, Ch. 13 Supplement, "Computer Simulation"

Case: **Pronto Pizza** (Fitz, Ch. 13 Supplement)

Assignment Questions:

1. Draw a process flow diagram and identify the bottleneck operation.
2. Use the ServiceModel computer simulation software and the Pronto model to determine the number of drivers that minimizes the total cost of salaries and guarantee discounts.
3. Based on your simulation recommended staffing level, what is the probability of paying off on the guarantee policy?
4. What do you think of this service guarantee policy?
5. What other design or operating suggestions could improve Pronto Pizza's performance and customer service?

Meet in Mod East Computer Lab, CBA 5.325

***** SPRING BREAK AND GLOBAL TRIP *****

MODULE 4: MANAGING SERVICE OPERATIONS

Session # 14 (March 20): 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.
1. What are the personality attributes of employees sought by Amy's Ice Cream?
2. Design a personnel selection process for Amy's Ice Cream using abstract questioning, situational vignettes, and/or role-playing.

In Class Exercise: **Influence of Servicescapes on Behavior**

1. Break into groups of 5 students with at least one student having lived or traveled overseas.
2. Identify a servicescape that had a major impact on customer and/or employee behavior.
3. Return to class and discuss what has been learned about servicescapes.

PowerPoint: Fish!

Session # 15 (March 22): MANAGING THE SERVICE PROFIT CHAIN

Textbook Readings: Fitz, Ch. 7, "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: **JetBlue Airways: Starting from Scratch** 9-801-354

New York based JetBlue entered the budget air travel business in major cities across the country using new Airbus A320s equipped with individual video screens behind every seat to receive satellite television and radio.

Assignment Questions:

1. How is JetBlue similar or different from Southwest? What did they learn from Southwest?
2. What are the key success factors for JetBlue and what will it take to execute on these factors?
3. Could the human resource management practices at JetBlue be a model for other service firms? Must the firm be nonunion for success?
4. Say JetBlue's pilots start to organize one year from now. No particular grievance, but they seek more of a guarantee for their future, and a more formal voice for themselves. What is the appropriate response by Ann Rhoades and the rest of the management team?

Video: Herb Kelleher Interview (10 min.) and Neeleman at Jet Blue (3 min.)

Session #16 (March 27): 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

Nordstrom's, 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. It's 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. Is the Nordstrom customer experience an example of a "service relationship" or "service encounter"? Explain
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. Make recommendations for Nordstrom to avoid these labor disputes in the future?

Video: The Nordstrom Boys (10 min.)

Session # 17 (March 29): MANAGING QUEUES

Textbook Readings: Fitz, Ch. 13, "Managing Waiting Lines"

Case: **Eye'll Be Seeing You** (Fitz, Ch. 13)

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 Cultural Determinates of Waiting**

4. Break into groups of 5 students with at least one student having lived or traveled overseas.
5. Identify *worst* and *best* waiting experience you have encountered.
6. Return to class and discuss what has been learned about cultural views of waiting.

Video: FastPass at Disney (5 min.)

Session # 18 (April 3): MANAGING CAPACITY AND DEMAND

Textbook Readings: Fitz, Ch. 12, "Managing Capacity and Demand"

In Class Exercise: **The Yield Management Analyst** (Fitz, Ch. 12)

Session #19 (April 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.

Video: National Association of Realtors Call Center (12 min.)

Session # 20 (April 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

Session # 21 (April 12): 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 # 22 (April 17): SERVICE OUTSOURCING

Textbook Readings: Fitz, Ch. 15, "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
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Session # 23 (April 19): Take Home Case Exam (no class)

Session # 24 (April 24): CULTURAL TRANSFERABILITY

Textbook Readings: Fitz, Ch. 17, "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?
3. Critique the decision to locate Euro Disney in France outside Paris? Was the cultural element ignored?
4. 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: Disney Service Culture and Casting (15 min.)

Session #25 (April 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?

Video: Hotel Monaco Chicago (12 min.)

<u>Session</u>	<u>Date</u>	<u>Topic</u>	<u>Case</u>	<u>Source</u>
Module 1: Services and the Economy				
1	1/18	Services in the Economy		
2	1/23	The Nature of Services	Village Volvo	Fitz
Module 2: Creating Breakthrough Services				
3	1/25	Market Positioning	Alamo Drafthouse	Fitz
4	1/30	The Service Delivery System	100 Yen Sushi House	Fitz
	Due:	FORM TEAMS and SELECT CASES		
5	2/1	Launching an Innovative Service	Southwest Airlines (A)	Packet
6	2/6	New Service Development	Alaska Airlines	Packet
7	2/8	Building Customer Loyalty	Ritz Carlton	Packet
8	2/13	Achieving Breakthrough Service	Taco Bell Corp.	Packet
	Due:	PROJECT PROPOSAL (E-mail)		
Module 3: Structuring the Service Enterprise				
9	2/15	Internet Facilitated Service	Monster.com	Packet
10	2/20	Service Facility Location	Athol Furniture, Inc.	Fitz
11	2/22	Supporting Facility Design	Shouldice Hospital	Packet
12	2/27	Service Sharing	Zipcar	Packet
	Due:	PROJECT OUTLINE or WtA SURVEY (E-mail)		
13	3/1	Service Process Analysis	Pronto Pizza	Fitz
Meet in Mod East Computer Lab, CBA 5.325				
Spring Break and Global Trip				
Module 4: Managing Service Operations				
14	3/20	Creating a Service Culture	Amy's Ice Cream	Fitz
15	3/22	Managing the Service Profit Chain	JetBlue	Packet
16	3/27	The Service Encounter	Nordstrom	Packet
17	3/29	Managing Queues	Eye'll Be Seeing You	Fitz
18	4/3	Managing Capacity and Demand	Yield Management Game	Fitz
19	4/5	Competing on Service Quality	AT&T Universal Card Services	Packet
20	4/10	Service Failure Recovery	FedEx: The Money Back Guarantee	Packet
21	4/12	Customer Retention	British Airways	Packet
22	4/17	Service Outsourcing	Laura Ashley and FedEx Alliance	Packet
Module 5: Managing Growth and Renewal				
23	4/19	Take Home Case Exam (no class)		
24	4/24	Cultural Transferability	Euro Disney: The First 100 Days	Packet
25	4/26	Franchising with Quality	Fairfield Inn (A)	Packet
26	5/1	Project Presentations		
27	5/3	Project Presentations		
	Due:	PROJECT PAPER		

Service Management

Case Write-up and Discussion Choices

Date Due	Harvard Case	Write-up Priority (Make 6 Choices)	Facilitation Priority (Make 3 Choices)
2/1	Southwest Airlines		
2/6	Alaska Airlines		
2/8	Ritz Carlton		
2/13	Taco Bell Corp.		
2/15	Monster.com		
2/22	Shouldice Hospital		
2/27	Zipcar		
3/22	JetBlue		
3/27	Nordstrom		
4/5	AT&T Universal Card Service		
4/12	British Airways		
4/17	Laura Ashely & FedEx Alliance		
4/24	Euro Disney		
4/26	Fairfield Inn		

Team Members: _____

