

GB 4518: STRATEGIC SERVICES MARKETING

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Glendale Campus

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The importance of services cannot be overemphasized. Services account for about 50% of GDP in more economically advanced countries. About 20–30% of world trade is accounted for by services. In the U.S., over 70% of the labor force works in services. This course is aimed at students who may be interested in working in service industries, or in a service capacity in a manufacturing business.

1. Course Objectives and Format:

This course seeks to provide an understanding of the unique marketing issues related to service industries (e.g., insurance, consulting, entertainment, freight, airlines). The growing role of services in the global economy will be discussed and key differences between products and services will be outlined.

The “service star” serves a framework to describe, analyze, and design service business models. Important dimensions of the service star are, among others:

- process and outcome dimensions of services
- a priori and post hoc segmentation of service customers and the trend toward 1:1 marketing
- customer roles in services
- globalization of services
- positioning of services
- people in the service process
- services operations and its link to services marketing
- the service profit model
- use of technology and the Internet in services
- partnerships and networks.

The marketing mix for services is structured as a triangle encompassing:

- external marketing
- internal marketing
- interactive marketing.

Combining the three sides of this triangle requires a service culture and challenges the globalization of a service company differently than a product company.

Therefore, particular attention will be placed on the international dimension of services marketing. Class meetings will consist of case analyses and lectures/discussions.

2. Learning Outcome Assessment

Course Objectives	Learning Outcomes	Assessments
Students will utilize the “service star” framework to analyze service business models.	4. Ability to think strategically in a global context	<ul style="list-style-type: none"> • Case discussion
Students will utilize the “service star” framework to design and develop service business models.	3. Understanding how to be resourceful, innovative, and enterprising by pursuing new opportunities within their organizations and uncertain environments (i.e., Global Entrepreneurship) 13. Ability to manage and lead an enterprise in a global environment	<ul style="list-style-type: none"> • Academic journal • Case discussion • Written group project
Students will understand and debate the unique marketing issues related to service industries Students will understand the growing role of services in the global economy and compare and contrast the key differences between products and services	16. Understanding of their chosen focus area	<ul style="list-style-type: none"> • Academic journal • Case discussion • In-class quizzes • Video presentations

3. Required Materials:

It is not required to purchase a book on services marketing specifically for this course. The Thunderbird Virtual Bookstore sells a package with case studies and HBR articles. Other required and non-required articles are posted on MTB.

Cases:

- Vandermerwe, Sandra (2001), "International Health Insurance Case (A): Growing A Service Enterprise Globally," Imperial College Management School, 501-009-1.
Michel, Stefan (2006), "Golden Arch: McDonald's Adventure in the Hotel Industry," Thunderbird Case Series.
Huchzermeier, A. and R. Hellermann (2002), "Lufthansa Cargo AG: Capacity Reservation and Dynamic Pricing," WHU Otto Beisheim Graduate School of Management.
Nanda, Ashish and Kelley Morrell (2004), "Strategic Review at Egon Zehnder International (A)," Harvard Business School (9-904-071).
Narayandas, Das (2002), "Customer Value Measurement at Nortel Networks- Optical Networks Division," Harvard Business School, 9-501-050.

Articles:

- Waite, Thomas J.: Stick to the Core- or Go for More, Harvard Business Review 80(2002)February, S. 31-36
Bishop, Susan: The Strategic Power of Saying No, Harvard Business Review (1999)November-December, S. 50-58.
Heskett, James L., Thomas O. Jones, Gary W. Loveman, et al.: Putting the Service-Profit Chain to Work, Harvard Business Review 72(1994)March-April, S. 164-174.

4. Grading:

Class Participation	20%
In-class Case quiz (best 4 of 5)	20%
Online assignments (best 4 of 5)	20%
Service Star Group Paper	40%

Total 100%

4.1. Class and Participation:

You should come well prepared to class as you may be called upon to discuss issues related to the assigned cases. It is also expected that you contribute to the discussion board on MTB. I will use the virtual discussion board on MTB for important topics that emerge in the class and cannot be covered during the sessions. Criteria for evaluating class participation are provided in Appendix 3.

4.2. In-class case quiz

For each of the five case studies, you have to answer a set of short questions in-class, which I will use to facilitate the case discussion. Please note that I do not ask you to hand in case briefs answering a set of standard questions nor are the questions necessarily the same as in the syllabus below.

4.3. Online assignments

Every week except the first week, you have to answer one essay question that will be posted on MTB. It has to be answered and electronically submitted before class as indicated on MTB.

4.4. Group Project: Service Star

You form groups of four to five students. The group will describe a service business using the “service star” concept.

The project will consist of defining the service star and highlighting the special characteristics of this service concept. It is especially important to show how the different aspects of the service star are intertwined in your chosen case. The facts you use for your analysis must be publicly available or provided to you by the company.

Maximum length, excluding appendices, is 10 pages (11pt Times New Roman typeface, 1 inch margin on all sides, 1.5 space). A suggested outline of the project and the evaluation form is given in Appendix 1 and 2, respectively.

There are four deadlines to be met by using the discussion board (week 2 and 3) and the drop box (week 4 and 6) on MTB.

- Week 2: Indicate the names of the group members
- Week 3: Indicate the company that you have chosen to study
- Week 4: 2 page summary of the service star of this company
- Week 7: Final paper

Failing to submit one of these deliverables or late submission will affect your grade.

Students are required to submit their peer evaluations online during exam week of class using the "Peer Evaluation Survey" on MTB. This survey is completely confidential and may affect grading.

5. Course Schedule (subject to change)

	Date	MTB, Readings	Group Project (MTB Drop box deadlines at 11pm)
1	Mar 19	Introduction, Service Revolution Service Star, Articles	Syllabus
2	Mar 26	Service Star, Segmentation 1. Int. Health Insurance (A)* (Quiz) Articles	Service Star Handout 1. List of Group Members
3	Apr 2	Service Star, Positioning 2. Golden Arch Hotel* (Quiz) Articles	2. Company Name
4	Apr 9	Service Pricing 3. Lufthansa Air Cargo (Quiz) Articles	Pricing Handout 3. First Draft of Service Star
5	Apr 16	Employee Management, Service Culture 4. Egon Zehnder* (Quiz) Articles	
6	Apr 23	Satisfaction, Service Recovery, Loyalty 5. Nortel Networks (Quiz) Articles	
7			4. Final Paper Due (Apr 27)

* These cases cover some typical challenges of globalizing a service business.

6. Questions for Classroom Discussion

Prepare the following questions for classroom discussion. Please note that the question(s) for the in-class case quiz may be different.

6.1. International Health Insurance (A)

1. What benefit does IHI offer to its clients? What are the outcome dimensions and what are the process dimensions of the service?
2. What segments does IHI target? How is IHI positioned?
3. What are the key elements and forces of IHI's profit model?
4. Is health insurance a good service to globalize? Describe the criteria you use for assessing this question. Compare health insurance with two other service businesses of your choice regarding the attractiveness to globalize according to your criteria.

6.2. Golden Arch

1. Which segment should Golden Arch target and why?
2. How do you assess McDonald's branding strategy?
3. Was Switzerland the best market to enter?
4. Was the main problem strategy, or execution, or something else. Explain.
5. What role does the internet play regarding market entries of new hotel chains?
6. How did Wall Street react to the fact that McDonald's entered the hotel industry announcement? Do an online search and bring at least three articles to class.

6.3. Lufthansa

1. How does air cargo differ from the passenger business in terms of revenue management?
2. Which areas are more complex, which can be managed more easily?
3. What is the purpose of selling long-term capacity contracts? Does Lufthansa Cargo effectively reach its business and risk-sharing objectives?
4. How could current reservation and pricing practices at Lufthansa Cargo be improved?
5. How does the introduction of dynamic pricing affect capacity buyers, i.e., freight forwarders?

6.4. Egon Zehnder

1. What do you think are some of the key reasons for Egon Zehnder International's (EZI's) success as an international executive search firm?
2. How would you evaluate EZI's people strategy? Specifically, what do you think are the strengths and weaknesses of the firm's approach to recruitment, promotion, and compensation of its professionals?
3. As an EZI executive committee member, what do you think are the critical challenges facing the firm in April 2000? How would you prioritize them?
4. As an EZI executive committee member, how would you respond to Fernandez-Araoz and O'Brian's idea of conducting a strategic review? Would you agree to the proposal? If so, how would you conduct the review? If not, how would you respond to the emerging challenges?

6.5. Customer Value Measurement at Nortel Networks

1. Describe the timeline of the whole CVM process at Nortel 1995-2002.
2. What are the biggest problems and challenges when measuring customer satisfaction in general and at Nortel Networks?
3. When does it make sense to use qualitative research, when do you prefer quantitative research?
4. What is the difference between customer satisfaction, customer value, and customer loyalty? When, how and why would you use each of the three metrics?
5. What should Conroy and Sauve recommend to Greg Mumford?

Appendix 1: Suggested Outline for the Service Star Project Paper

1. Executive Summary (max. 1 page)
 - Concise statement of objectives
 - Concise statement of major findings and recommendations
2. Introduction (max. 2 pages)
 - Company background
 - Industry background
3. Service Star
 - Elements of the Service Star (be selective, don't cover everything)
 - Links between the Elements of the Service Star
4. Conclusion
 - Conclusion
 - Recommendations
5. References
 - Citing references adds credibility to your paper
6. Appendices (is not counted toward the 10 pages length limit)
 - Place any supporting material that would disrupt the follow of the report here and reference it in the main text of the report.

Note:

No table of content is necessary

Appendix 2: Criteria for evaluation of Service Star Project

	Evaluation ¹				Comments
	4	3	2	1	
A. CONTENT					
Relevance					
1. Are all major, relevant topics covered?	4	3	2	1	
Analytical Strength					
2. Are technical terms and definitions coherently and correctly applied?	4	3	2	1	
3. Does the breadth and depth of the paper reflect its purpose?	4	3	2	1	
4. Is the paper developed logically and is it internally consistent?	4	3	2	1	
Creativity					
5. Are new perspectives, ideas, approaches developed? (double weight)	4	3	2	1	
B. WRITING					
6. Is the writing clear and precise? Are subsections well integrated into a cohesive whole?	4	3	2	1	
7. Are grammar, punctuation, sentence structure, word choice, etc., error-free?	4	3	2	1	
C. STYLE					
8. Are exhibits and tables used to enhance the clarity/readability of the paper?	4	3	2	1	

¹ 4= super, 3= very good, 2= good, 1= poor

D. RESEARCH					
9. Is the paper conceptually well researched and is the research cited?	4	3	2	1	
10. Are the facts (markets, customers, financials, etc.) well researched and are the sources cited?	4	3	2	1	
	Sum		Max. 40		minus 4 points if not minus 4 points if not minus 4 points if not
Group membership submission on time					
Company indication on time					
First draft of services star on time					
	Sum				

Appendix 3: Criteria for Evaluating Student Class Participation

Excellent Performance (Grade A)

- * Initiates information relative to topics discussed
- * Accurately exhibits knowledge of assignment content
- * Demonstrates excellent listening skills by remaining on the “same page” as the rest of the class as demonstrated by comments
- * Brings up questions that need to be further explored
- * Clarifies points that others may not understand
- * Draws upon practical experience or personal opinion, as appropriate
- * Offers relevant/succinct input to class
- * Actively participates in simulations and classroom exercises
- * Demonstrates the ability to apply, analyze, evaluate, and synthesize course material
- * Prepares all assignments on time, thoughtfully

Good Performance (Grade B)

- * Regularly participates in class discussions
- * Shares relevant information
- * Gives feedback to classroom discussions
- * Consistently demonstrates knowledge of reading assignments
- * Demonstrates ability to analyze/ apply course material
- * Demonstrates willingness to attempt to answer questions
- * Prepares all assignments on time, with some thoughtfulness

Fair Performance (Grade C)

- * Participates in group discussion when solicited
- * Demonstrates some knowledge of course material
- * Offers clear, concise information relative to class assignment
- * Offers input, but tends to reiterate the intuitive
- * Attends class regularly
- * Prepares most assignments on time with some thoughtfulness

Poor Performance (Grade D)

- * Occasional input, often irrelevant, unrelated to topic or fails to participate, even when specifically asked
- * Reluctant to share information
- * Does not follow the flow of ideas
- * Drains energy from class goals
- * Behaves toward others in a disruptive fashion, for example, sarcastic comments aimed at others who are attempting to participate
- * Does not attend class regularly
- * Fails to prepare assignments on time or with thought