

Services Marketing Syllabus

Professor:	Valarie Zeithaml	Office Hours:	Monday 1:00 - 3:00
Classroom:	McColl 2350	Office:	McColl 4207
Telephone:	962-8214	Assistant:	Carol Courts
Email:	Valariez@unc.edu	Telephone:	843-9933

Please do not use computers during class!
Please do use your name cards.

*Learning is the best of all wealth;
it is easy to carry, thieves cannot steal it, and tyrants cannot seize it;
neither fire nor water can destroy it;
and far from decreasing, it increases by giving.*
--Naladiyar

Course Objective

The objective of this course is to supplement basic marketing and marketing strategy courses by focusing on problems and strategies specific to marketing of services. Problems commonly encountered in marketing services -- such as inability to inventory, difficulty in synchronizing demand and supply, difficulty in controlling quality -- will be addressed. Strategies used by successful services marketers to overcome these difficulties will be discussed.

The emphasis in the course will be on service universals rather than on any particular industry (such as bank marketing). However, concepts will be illustrated using cases, examples, and exercises in service industries such as banking, health care, financial planning, consulting, the professions, and communication as well as manufacturing and high tech industries (both of which depend heavily on services to provide value).

The course is designed not just for students with careers in services industries but also careers in goods industries with high service components (e.g., industrial products, high tech products, durable products).

Course Philosophy

Marketing is a set of skills, concepts, knowledge, analytical techniques and approaches that -- when applied appropriately -- can greatly improve the effectiveness with which business is conducted. This course is designed to allow you to further develop these skills, techniques, and approaches and to seek *appropriate solutions based on reasoning and analysis*.

It is critical to understand that *at this stage of knowledge, marketing is not a science!* If it were, there would be no service failures, dissatisfied customers, or ineffective advertising.

Course Materials

Valarie A. Zeithaml and Mary Jo Bitner, Services Marketing, third edition, McGraw-Hill, 2003 CoursePak.

In the time we have in the mod, we will not be able to cover everything on the topic of services marketing. The textbook provides you with frameworks that are essential to understanding the subject. I've assigned chapters and some readings for each topic that will help you prepare for the cases and learn the material. I have limited duplication between material in class and the material in the book, so you must read the book as well as come to class to learn the subjects. When readings are assigned, these must be integrated into your discussion of the cases and into the written assignments. ***Please read and prepare the cases completely.*** Any additional current articles that I distribute in class are easy and interesting reading as well as brief so they should not be burdensome.

Grading

Team Case Analysis	20%
Blueprinting and Process Improvement	15%
Integrated Marketing Presentation	15%
In-class Exercises and Class Participation	25%
Final Exam	<u>25%</u>
Total	100%

Class Participation

Please be fully prepared to discuss reading assignments and cases. Earning a P or H in the class requires *constructive* participation in class discussions and exercises. Thorough preparation for cases, class discussions and exercises is essential for constructive participation. Please note that choosing a few good comments to interject into the discussion -- particularly comments about case "facts" -- is not considered constructive preparation.

The direction and quality of the case discussions are the collective responsibility of the class, not the professor. In class, it is my job as professor to facilitate discussion—obtaining your views and helping you to integrate them at the end of the case.

Study Groups

Study groups are strongly encouraged to help assimilate information and generate ideas about how the study questions could be answered. Study questions for each case are provided. Please note that these questions were chosen to assure that pivotal topics are covered in student preparation, and are not designed to lead directly to a case solution

Services Marketing Calendar

Date	Topic	Reading/Assignment	Resources	
1	January 11	Introduction and Course Overview	Review Course Website	Introduction.ppt
2	January 13	The Gaps Model Of Service Quality	Choose Group Case	Gaps Model.ppt
		Case: Scott cook and Intuit		Scott Cook and Intuit.ppt
		What is Intuit's service strategy?		Scott Cook and Intuit Exercise
		What is Intuit doing right to obtain competitive advantage?		
		If you were going to organize Intuit's strategies into common themes, what would these be? Try to think about the framework that is guiding Intuit's strategy		
		What recommendations do you make for the company's future service strategy?		Future Reading: Chapter 18
3	January 18	The Customer Gap	Read Chapter 3 and Visit: http://www.theacsi.org/overview.htm	Perceived Services Quality.ppt
		Perceived Service Quality	Answer the following questions:	
		1. What is the ACSI?		
		2. How well do services perform compared with manufacturing?		
		3. What is the trend of customer satisfaction in services?		
		4. Select a service industry and be prepared to report your conclusions about the companies in the industry since the beginning of the ACSI.		Future Reading: Chapter 4

4	January 20	Provider Gap 2	Read Chapter 5	Starbucks.ppt
		Customer Research	<p>Case: Starbucks: Delivering Customer Service</p> <p>What factors accounted for the extraordinary success of Starbucks in the early 1990's?</p> <p>What was so compelling about Starbucks value proposition? What brand image did Starbucks develop during this period?</p> <p>Why have Starbucks customer satisfaction scores declined? Has the company's service declined, or is it simply measuring satisfaction the wrong way?</p> <p>How does the Starbucks of 2002 differ from the Starbucks of 1992?</p> <p>Describe the ideal Starbucks customer from a profitability standpoint. What would it take to ensure that this customer is highly satisfied? How valuable is a highly satisfied customer to Starbucks?</p> <p>Should Starbucks make \$40 million investment in labor in the stores? What's the goal of this investment? Is it possible for a mega-brand to deliver customer intimacy?</p>	
5	January 25	Provider Gap 1	Read Chapter 6, "Diamonds in the Data Mine"	Customer Equity and LifetimeValue.ppt
		Customer Relationships and Lifetime Value	<p>Case: Customer Research</p> <p>In a situation such as this, why not keep all clients that cover direct costs?</p> <p>On the other hand, what are the problems associated with service clients based on their profitability?</p> <p>How does a company like Custom Research serve its clients and make a profit?</p> <p>What did you learn from Exhibit3?</p>	Custom Research.ppt

What did you learn from pages 19-22 that is not contained on page 18?

Has Custom Research correctly analyzed what is causing their problems in improving profitability?

Which customers do you want to keep? How would you decide which customers to keep?

How would you deal with the customers you don't want to keep?

6 January 27 Provider Gap 1

Customer Segmentation and Customer Equity

Case: Grupo IUSACELL

GrupoIUSacell.ppt

Prepare: Grupo IUSACELL Exercise

What is the economic value of a USACELL cellular customer? What factors fundamentally influence your calculations?

Evaluate IUSACELL'S customer service initiatives and their effect on customer loyalty.

Analyze IUSACELL's performance over the past two years.

Future Reading:

What actions would you, as Guillermo Heredia, take to improve IUSACELL's financial performance?

Customer Pyramid Attachment

How, specifically, can IUSACELL improve service in order to diminish defections?

Should IUSACELL compete with Telcel (its major competitor) for market share, or target a specific segment of consumers?

Do you agree that IUSACELL should become a full service telecommunications provider in Mexico and throughout Latin America? Why or why not?

Note: Submit Grupo IUSACELL assignment by 10

7	February 1	Provider Gap 1 Service Recovery	Read Chapter 7	Northwest Airlines.ppt
Case: Northwest Airlines				
Why all this fuss? How bad was this situation?				
What actions could Northwest have taken to avoid the problem?				
What should NWA have done <i>during</i> the situation to recover from the service failures?				
What should NWA have done <i>after</i> the situation to recover from the service failure?				
Who is responsible and why? Was the cause of this situation an “act of God” (the weather) or some organization? If an organization was responsible, which one was it?				
What does the whole episode mean for NWA in the short and long term?				
8	February 3	Provider Gap 2 Services Standards	Read Chapter 9	Customer Defined Standards Four Seasons Hotel.ppt
Visit the Malcolm Balrige Quality Award and download the Ritz Carlton Application for 1999 at http://www.quality.nist.gov/PDF_files/RCHC_application_Summary.pdf				
Case: Four Seasons Hotel				
What has made Four Seasons successful over the last 30 years?				
What was good and/or bad about the entry strategy that Four Seasons sued for the Paris/French market? Why?				
What role did services standards play in this company’s success? In its entry into the Paris/French market?				
What is the role of service standards at the Ritz-Carlton Hotel?				

How do the service standards used by Four Seasons compare to the service standards used by the Ritz-Carlton?

What are the strategies that Four Seasons has to implement to maintain its service promise all over the world?

9 February 8

Read Chapter 8 and “Linking Marketing and Operations”

Blueprinting.ppt

Group Blueprinting Exercise

Prepare a service blueprint for a service process with which you are familiar. The blueprint can describe an existing service process associated with a company or a process that the MBA program could

improve. Apply the concepts covered in chapters 8, 9 and the assigned reading. Develop a 10-minute presentation and blueprint. Be sure to address the following questions:

What are the tangible cues or indicators of quality from the customer’s perspective?

What occurs above the line of visibility?

Are all the steps in the process necessary?

To what extent is standardization possible and advisable throughout the process?

Where are potential fail points located, and how could they be designed out or fixed?

What are potential measures of professional performance (soft standards and hard standards)?

Submit the presentation (which includes the blueprint by 10 a.m. today so that I can choose several exemplars to be presented in class.

10 February 10

Read Chapter 8

Service
Development.ppt

**Case: Innovation at Progressive (A)
Innovation at Progressive (B)**

Progressive.ppt

In Case (A), how does Progressive compare to other auto insurers in performance? What explains the difference?

Assess the viability of the Autograph system. What level of consumer acceptance will it take to make Autograph profitable?

What are the barriers to consumer acceptance? Should Autograph be expanded nationwide?

In Case (B), what competencies are necessary to deliver homeowners insurance?

Service Development

What competencies has Progressive developed in the auto business?

Is Progressive well positioned to compete in the homeowners market?

11 February 15 Provider Gap 3

Read Chapter 11 and "Customer 1st"

Southwest Airlines.ppt

Case: Rapid Rewards at Southwest Airlines

Employee's Role in
Services Delivery

What is Southwest Airlines' value proposition? What are Southwest's sources of competitive advantage?

Consider the economics of the airline industry. From Exhibit 2 and Exhibits 9-15, what do you see as driving the difference in financial performance across airlines? How important are frequent fliers to airline performance?

Should Southwest save a few low-numbered boarding cards for its most frequent fliers? Why? What is the key motivation for your opinion? What tradeoffs should Southwest consider in making this decision?

Should passengers who merit the status of most frequent fliers be permitted in the event of missed flights to take the next available flight with an empty seat or be required to wait for the next available flight with an empty seat within the same fare class? What drives your decision?

From your experience, how does Southwest's service philosophy compare with the service philosophies of the major players in the airline industry?

12 February 17 Provider Gap 4

Integrated Marketing Communication

Read Chapter 15

Guest Speakers:

Anthony Ryzinski, VP of Advertising and Brand Marketing

Ali Kincaid Bergthold, Direct Response Advertising Program Manager

Blue Cross and Blue Shield of North Carolina

13 February 22 Provider Gap 4

Integrated Marketing Exercise

Integrated Marketing Exercise

Integrated Marketing Communication.ppt

Choose a service organization and investigate as many elements of its integrated marketing communications program as you can. The easiest way to do this is to search the Internet site of a major service company, most of whom typically post their advertising somewhere in the site. Prepare a 10-minute presentation showing the firm's IMC and evaluating it based on the criteria discussed in Chapter 15. To the best of your knowledge, how does the company integrate its branding and advertising with its interactive marketing?

Please submit the exercise to Carol Courts by 10 a.m.

14 February 24 Course Summery

TenLessons.ppt

February 28

Final Exam Due at 5 p.m. to Carol Courts

In-class Case Analysis Guidelines

In this class, cases are viewed as vehicles for learning diagnostic skills and for applying concepts and frameworks introduced in readings and lectures. The course is designed around a conceptual framework called the Gaps Model and provides a progressive learning experience. Each case in this course was chosen to reveal or illustrate key concepts and issues important to this framework.

The learning from a case comes in two ways. The first involves pre-class preparation: the ability to diagnose case problems and issues, to select and apply appropriate forms of analysis (e.g., quantitative, logic, experience, conceptual) and to make decisions about case solutions.

There is rarely a *single* right answer for a case, just as there is rarely a *single* right marketing decision in actual practice. Instead, there are a number of viable alternatives that can be supported through qualitative and quantitative analysis. It is your job in the class, as you know it is in your careers, to incorporate your existing knowledge with new information (in this situation, course materials) to make sound marketing decisions.

Analysis involves more than noting that certain facts pertain to one of the central points around which the case is being analyzed. The facts must be noted, but then reasoning must be applied to determine how and in what way these facts affect the point in the case. Material that cannot be shown to have specific bearing on the problems should be eliminated.

Finally, information regarding the strategies *actually* selected by the firms in the cases should be incorporated with caution. Firms make many strategic mistakes and actual executed strategies are often inferior to alternative strategies. If we have time at the end of a case class, and if the information is available, we can talk about what choices were made and what ensued.

We will use technology to increase the value of what you are learning in the course. Please feel free to e-mail me questions and comments about topics from class that we do not have adequate time to discuss in class. I will send you e-mails with information that I find useful. [I will also post notices on the home page with important updates about the course.] I would also appreciate receiving either in class or through e-mail comments from your own experience that would be helpful to others. I intend to use the Internet and Web to supplement our course materials and would like to receive word about any information you find there that you think will be valuable to the class. This is not required but is strongly suggested and it will add to your participation grade.

Team Case Analysis

Each student team of five people will write one eight-page case analysis during the semester. Please submit the team case analysis by noon the day the case will be discussed to Carol Courts. **Please include "Team Case Analysis" and the case your team has chosen in the subject line of your e-mail and the names of your team members in the cc line.** Team members will all receive the same grade on the case. Before the second day of class, teams will sign up for cases. The signup sheet is located in Suite 4200 outside office 4207. Please think about possible teams and cases so that you can sign up as quickly as possible as a limited number of groups can do each case.

The following cases qualify for team case analyses:

Starbucks: Delivering Customer Service (January 20)

Grupo IUSACELL (January 27)

Northwest Airlines (February 1)

Four Seasons Hotel (February 3)

Innovation at Progressive (A) (B) (February 10)

Rapid Rewards at Southwest Airlines (February 15)

The other cases (Scott Cook and Intuit, Custom Research, and ING Direct) will be used for exercises or exams. No team case analyses will be completed on these cases.

To receive maximum credit for cases, follow the format for case analysis shown below. Case write-ups must also incorporate the readings on the topic area in which the case is assigned and must focus on *services marketing issues*.

Case Analysis Format and Criteria for Evaluation

Problem Analysis **20**

Assessment of organization's services marketing problems

Summary of critical environmental and situational factors indicating problem

Identification of other marketing sub-issues or sub-problems that stem from services marketing problems

Completeness of problem identification

Alternative Recommendations **20**

Identification of alternative marketing strategies to deal with services marketing problems

Itemization of pros and cons, advantages and disadvantages of each

Selection of Best Alternative **25**

Support for selection of alternative

Thorough discussion of alternative

Implementation **10**

Process Issues **15**

Logical consistency from start to finish

Thoroughness

Clarity of presentation

Feasibility of recommendations within existing organizational and financial constraints

Analysis of Exhibits **10**

Analysis of exhibits, tables, charts, data to support decisions

Assignments for Services Marketing

There are five assignments in this class. They include:

Grupo IUSACELL	Group Assignment	January 25
Blueprint Exercise	Group Assignment	February 10
Integrated Marketing Communication	Individual Assignment	February 17
Team Case	Group Assignment	Various Dates
Final Exam	Individual Assignment	February 28

Each assignment is described in the calendar page on the due date of the assignment.

Please refer to the above dates to see what is required.

Class participation is graded individually.