

Services Marketing
MBA 751-001
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COURSE OBJECTIVES

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 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 financial planning, airlines, the hospitality industry, 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

Textbook: Valarie A. Zeithaml, Mary Jo Bitner, and Dwayne Gremler, *Services Marketing: Integrating Customer Focus across the Firm*, fourth edition, McGraw-Hill, 2006

CoursePak

Downloads from Course Web Site

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. There is limited duplication between material in class and the material in the book, *so you need to 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.***

PLEASE DO NOT USE COMPUTERS DURING CLASS.

PLEASE DO USE YOUR NAME CARDS.

SCHEDULE

Session #		Date	Topic	Reading
Session 1		Mon, Oct 22	Introduction and Course Overview	ZBG Ch.1; Review Course Website
Session 2		Wed, Oct 24	The Gaps Model of Service Quality	ZBG Chapter 2; Jyske Bank (in textbook)); "Customer Service Champs"
Session 3	Paper Due	Mon, Oct 29	Customer Perceptions and Expectations of Service Quality	ZBG Ch. 5; www.netpromoter.com; www.jdpower.com; www.theacsi.org
Session 4		Wed, Oct 31	Service Recovery	ZBG Chapter 8 and Jet Blue Case (download),"Satisfaction Not Guaranteed" (download)
Session 5		Mon, Nov 5	Building Customer Relationships	ZBG Chapter 7; Merrill Lynch: Supernova Case
Session 6		Wed, Nov 7	Service Innovation	Innovation at Progressive (A); Innovation at Progressive (B)
Session 7		Mon, Nov 12	Service Innovation in Manufacturing and Software	"Right Service Strategies for Product Companies"(download); "Delivering Software as Service" (download); "Four Strategies for Smart Services"
Session 8	Homework Due	Wed, Nov 14	Service Blueprinting	ZBG Chapter 9, pp. 267-274 and "Service Blueprinting" (download)
Session 9		Mon, Nov 19	Service Standards	ZBG Ch. 10; Four Seasons Hotels Case" Ritz-Carlton Application for Baldrige Award (download)
Session 10		Mon, Nov 26	Human Service Interfaces	ZBG Ch. 12; "Manage Your Human Sigma"; "The Moments of Truth in Customer Service" (download), Southwest Airlines Case
Session 11		Wed, Nov 28	Technology Interfaces in Service	"Implementing Successful Self-Service Technologies" ; "Putting Citizens on-line, Not in Line";"Automated Self-service Comes to Telcos";"The Toll of a Machine"
Session 12	Paper Due	Wed, Dec 5	Integrated Services Marketing Communications	ZBG Ch. 16
Session 13		Mon, Dec 10	Services Pricing	Virgin Mobile USA Case
Session 14		Wed, Dec 12	Final Exam and Course Summary	

ASSIGNMENTS

There are four assignments in this class. One is a group assignment and is in the form of a presentation. The other three are individual assignments. The due dates and names of the assignments are shown below.

Paper on Customer Satisfaction Measurement due October 29

Your future manager wants you to prepare a concise (3-page, 1 ½ space) and critical evaluation of the three prominent external measures of customer satisfaction in order to help the company close Gap 1. Carefully read the three web sites that are listed in the readings for today. Critically evaluate the measures used in each index. What can they do for your organization? What are their strengths and weaknesses? Are the measures helpful to a service company in closing Gap 1? Why or why not? If not, what else would be necessary to close Gap 1?

Presentation on Service Blueprinting due November 14

On November 12, we discussed service innovations associated with manufactured products and software. For this assignment, prepare a service blueprint for a service innovation associated with a manufactured product or software. Apply the concepts covered in chapter 9 and in the reading for today. The deliverable will be a 7-minute presentation (no paper) which includes the service blueprint and answers to the following questions:

1. What difficulties associated with adding service innovations to products or software does the blueprint reveal?
2. How does the blueprint help resolve these difficulties?
3. To what extent is standardization possible and advisable throughout the process?
4. Where are potential fail points located, and how they could be designed out or fixed?
5. What are potential measures of process performance (soft standards and hard standards)?

Paper on Successful Transitions from Product to Service Businesses due December 5

In the next five years, virtually all organizations will attempt to use services for growth and profit. To date, many of the companies attempting to do this have struggled to achieve the goals they set for themselves. By this time in the mod, you have examined innovation through service, discussed how products and services differ, and learned effective service strategies. Using all the material we have studied, prepare a concise 7-page (1 ½ page) paper identifying the ten most important guidelines—and support for each of them—for transitioning from goods to services. Position this paper as if you were presenting it to the key executive in your organization. I expect the paper to be a high-level synthesis of what we have covered to this point in the course.

Final Exam due December 15

Details on the final exam will be provided closer to the end of the mod. It will be a take-home exam, and will be due at 5 p.m. on Friday, December 15.

Class participation is graded individually.

GRADING

Grades will be based on the following elements:

10%	- Individual 3-page Paper
15%	- Blueprinting Presentation and PowerPoints
25%	- Individual 7-page paper
20%	- In-class Exercises and Class Participation
<u>30%</u>	<u>- Final Exam</u>
100%	- Total

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.

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.

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.

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.

SESSION 1: INTRODUCTION

Session Objectives:

- To introduce you to the topic of services marketing
- To overview the course and course website
- To describe the assignments, cases and topics in the course

SESSION 2: GAPS MODEL OF SERVICE QUALITY

Session Objectives:

- To demonstrate the need for an organizing framework for improving service delivery
- To introduce the gaps model of service quality, an encompassing framework for understanding and improving service quality
- To understand both the customer gap and four service provider gaps that must be closed to provide service excellence
- To identify service organizations that excel as models for organizations that need to improve their services marketing

Preparation:

Read ZBG Chapter 2
Jyske Bank (Case in Textbook)
“Customer Service Champs” in CoursePak

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 found in Chapter 2. What are Jyske Bank's strategies for closing the 5 gaps in the model?
4. In your opinion can Jyske Bank sustain its growth and success? Would you invest in Jyske Bank?

SESSION 3: THE CUSTOMER GAP

Session Objectives:

- To understand customer expectations and perceptions of service quality and their roles in customer satisfaction
- To develop critical knowledge of the five key dimensions of service quality
- To identify ways that companies understand their customers' perceptions and expectations

Preparation: Read ZBG Chapter 5

Three of the prominent external measures of service quality and customer satisfaction are the American Customer Satisfaction Index (www.theacs.org), J.D. Power and Associates (www.jdpower.com), and the Net Promoter Index (www.netpromoter.com). It is important that you become aware of these sources as they will be likely be used by your future companies either as secondary or primary sources of information. For that reason, preparation for this class involves your visiting each of these sites and becoming familiar with them. You will also prepare a 3-page (1 ½ space) paper critically comparing and contrasting the functionality and value of the information available there.

ASSIGNMENT ON CUSTOMER SATISFACTION DUE:

Your future manager wants you to prepare a concise (3-page, 1 ½ space) and critical evaluation of the three prominent external measures of customer satisfaction in order to help the company close Gap 1. Carefully read the three web sites that are listed in the readings for today. Critically evaluate the measures used in each index. What can they do for your organization? What are their strengths and weaknesses? Are the measures helpful to a service company in closing Gap 1? Why or why not? If not, what else would be necessary to close Gap 1?

SESSION 4: SERVICE RECOVERY

Session Objectives:

- To analyze a company's attitudes and practices that contributed to a service disaster
- To appreciate ways to avoid exacerbating service disasters
- To identify actions the company could have taken to fail safe--prevent or mitigate--the crisis
- To discuss strategies for effective service recovery

Preparation:

ZBG Chapter 8
Jet Blue Case (download)
"Satisfaction Not Guaranteed" (download)

Questions:

1. How bad was this situation?
2. What actions could Jet Blue have taken to avoid the problem?
3. Using the framework from the book (outcome, procedural and interaction fairness, pages 223-225), evaluate how well JetBlue did during the service failure.
4. Using the same framework from the book (outcome, procedural and interaction fairness, pages 223-225), what should NWA have done *after* the situation to recover from the service failure?
5. 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?
6. What does the whole episode mean for JetBlue in the short and long term? What are the financial and brand implications?

SESSION 5: BUILDING CUSTOMER RELATIONSHIPS

Session Objectives:

- To recognize the goals and benefits of relationship marketing for firms and customers
- To identify challenges in relationship development
- To examine the controversial ideas that "the customer is not always right" and that "all customers are not created equal"

Preparation:

ZBG Chapter 7
Merrill Lynch: Supernova (Case)

Preparation Questions:

1. What does Supernova offer to Merrill Lynch? Does it need Supernova to be successful or grow in the future?
2. What, specifically, is Supernova and how is it different from traditional financial advising models?
3. What is the value proposition for customers?
4. What changes did FAs need to make to implement the Supernova process?
5. What changes did Merrill Lynch have to make to implement the Supernova process?
6. What were the risks and potential benefits for both?
7. Contrast a Financial Advisor's day using the Supernova process with a typical day under the old process.

SESSION 6: SERVICE INNOVATION**Session Objectives:**

- To illustrate the factors that affect new service development success
- To evaluate new service offerings from their marketing benefits and operational implications
- To demonstrate how a company can differentiate through value-added services achieved through operational savings
- To explore how to introduce technology into consumer-facing services

Preparation:

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

Preparation Questions:

1. In Case (A), how does Progressive compare to other auto insurers in performance? What explains the difference?
2. Assess the viability of the Autograph system. What level of consumer acceptance will it take to make Autograph profitable?
3. What are the barriers to consumer acceptance? Should Autograph be expanded nationwide?
4. In Case (B), what competencies are necessary to deliver homeowners insurance?
5. What competencies has Progressive developed in the auto business?
6. Is Progressive well positioned to compete in the homeowners market?

SESSION 7: SERVICE INNOVATION

Session Objectives:

- To recognize the immense opportunity for services in manufacturing and software
- To demonstrate how a company can differentiate through value-added services
- To familiarize you with tools and frameworks to assess the appropriate services to bring growth and profitability to manufacturing and software firms

Preparation:

“Four Strategies for the Age of Smart Services” in Coursepak
“The Right Service Strategies for Product Companies” (download from documents page)
“Delivering Software as a Service” (download from documents page)

Preparation Questions:

Given the opportunities for services in all firms, your future companies will be assessing how to add services that will provide increased growth, profitability, and productivity. After reading these three leading-edge articles, come to class prepared to discuss the following:

1. What are the potential mistakes that a company can make when innovating in service?
2. How will delivering service be different than delivering products? Are most companies capable of making the adjustment?
3. What success strategies would you recommend to a future employer about expanding into service?

See the assignment that is listed on this day’s page. The assignment is due in one week, but relates to today’s class.

SESSION 8: SERVICE BLUEPRINTING

Session Objectives:

- To demonstrate the value of service blueprinting
- To show you how to develop and read service blueprints
- To provide you with an experience to create a service blueprint

Preparation:

Chapter 9
“Service Blueprinting” (download)
Group Blueprinting Assignment

PRESENTATION ON BLUEPRINTING ASSIGNMENT DUE:

On November 12, we discussed service innovations associated with manufactured products and software. For this assignment, prepare a service blueprint for a service innovation associated with a manufactured product or software. Apply the concepts covered in chapter 9 and in the reading for today. The deliverable will be a 7-minute presentation (no paper) which includes the service blueprint and answers to the following questions:

1. What difficulties associated with adding service innovations to products or software does the blueprint reveal?
2. How does the blueprint help resolve these difficulties?
3. To what extent is standardization possible and advisable throughout the process?
4. Where are potential fail points located, and how they could be designed out or fixed?
5. What are potential measures of process performance (soft standards and hard standards)?

SESSION 9: SERVICE STANDARDS**Session Objectives:**

- To demonstrate the role of service standards in delivering service excellence
- To show how different types of service standards can be used to meet customer expectations
- To investigate the appropriate role of service standards in closing not only Gap 2 but also Gap 3, the performance gap

Preparation:

Chapter 10,
Four Seasons Goes to Paris Case
Ritz-Carlton Application for Malcolm Baldrige Award (download)

Preparation Questions:

1. What has made Four Seasons successful over the last 30 years?
2. What was good and/or bad about the entry strategy that Four Seasons used for the Paris/French market? Why?
3. What role did services standards play in this company's success? What role did it play in its entry into the Paris/French market?
4. What is the role of service standards at the Ritz-Carlton Hotel?
5. How do the service standards used by Four Seasons compare to the service standards used by the Ritz-Carlton?
6. What are the strategies that Four Seasons has to implement to maintain its service promise all over the world?

SESSION 10: HUMAN SERVICE INTERFACES

Session Objectives:

- To recognize how critical strong human interactions with customers are to providing excellent service
- To demonstrate that consistently excellent (or even good) human interfaces are difficult to deliver for many reasons.
- To identify good and bad examples of companies that depends on human interfaces.

Preparation:

ZBG Chapter 12
"Manage Your Human Sigma"
"The Moments of Truth in Customer Service"
Southwest Airlines: Generating Competitive Advantage through
Human Resources Management

Preparation Questions:

1. What aspects of Southwest Airlines' human resources strategy are most critical to generating competitive advantage?
2. Why has Southwest been able to achieve this advantage while other airlines have not?
3. What aspects could be transferred to other companies, and how could these transfers be achieved?
4. What aspects are unlikely to be transferable to other companies? Why not?
5. Are there other strategies by which airlines can achieve service excellence? What are they?

6. How do companies create emotional connections between employees and customers? In your experience, what companies are able to do this?
7. Do all service and product companies need to create strong human connections? Why or why not?

SESSION 11: TECHNOLOGY INTERFACES IN SERVICE

Session Objectives:

- To identify and evaluate the ways that service organizations interface with their customers
- To identify examples, benefits and disadvantages of technology interfaces in service
- To examine self-service technologies (SSTs) as effective and efficient alternatives to human interfaces
- To identify ways to implement successful SSTs

Preparation:

“Implementing Successful Self-Service Technologies”
“Putting Citizens on-line, Not in Line”
“Automated Self-service Comes to Telcos”
“The Toll of a new Machine”

Preparation Questions:

1. What are SSTs and why are they being used more frequently in companies today?
2. Do customers like SSTs? Under what conditions?
3. What are the benefits and disadvantages of the SSTs described in the readings for government and telcos?
4. When are SSTs more effective than human interfaces?
5. When are human interfaces more effective than SSTs?

SESSION 12: INTEGRATED MARKETING COMMUNICATION

Session Objectives:

- To demonstrate the concept of integrated services marketing communications
- To learn the criteria for effective integrated services marketing communications
- To examine and assess effective integrated services marketing campaigns

Preparation: Chapter 16

PAPER ON SUCCESSFUL TRANSITIONS FROM PRODUCT TO SERVICE BUSINESSES DUE

In the next five years, virtually all organizations will attempt to use services for growth and profit. To date, many of the companies attempting to do this have struggled to achieve the goals they set for themselves. By this time in the mod, you have examined innovation through service, discussed how products and services differ, and learned effective service strategies. Using all the material we have studied, prepare a concise 7-page (1 ½ page) paper identifying the ten most important guidelines—and support for each of them—for transitioning from goods to services. Position this paper as if you were presenting it to the key executive in your organization. I expect the paper to be a high-level synthesis of what we have covered to this point in the course.

SESSION 13: SERVICES PRICING

Session Objectives:

- To recognize the differences between goods and services pricing and their implications for setting prices
- To explore pricing levels and pricing structures in a highly competitive industry
- To examine the interplay between pricing, target market selection, and a firm's overall value proposition
- To illustrate the importance of adopting a long-term strategic perspective in choosing a pricing structure

Preparation Questions:

1. Given Virgin Mobile's target market (14-24 year-olds), how should it structure its pricing? The case lays out three pricing options. Which option would you choose and why? Be as specific as possible with respect to the various elements under consideration (contracts, size of subsidies, hidden fees, etc.)
2. How confident are you that the plan you have designed will be profitable? Provide evidence of the financial viability of your pricing strategy.
3. The cellular industry is notorious for high customer dissatisfaction. Despite the existence of service contracts, the by carriers churn roughly 24% of their customers each year. Clearly, there is very little loyalty in this market. What is the source of the dissatisfaction? How have the pricing variables affected the consumer experience?

4. How do the major carriers make money in this industry? What is the financial logic underlying their pricing approach?
5. Evaluate Virgin Mobile's value proposition, channel strategy, and merchandising strategy.
6. Do you agree with Virgin Mobile's target market selection? What are the risks associated with targeting this segment? Why have the major carriers been slow to target this segment?

SESSION 14: COURSE SUMMARY AND REVIEW

Session Objectives:

- To summarize the course
- To review the content of the course to determine whether it met the objectives set out on the first day