



**BOSTON
COLLEGE**

CARROLL SCHOOL OF MANAGEMENT
OPERATIONS, INFORMATION, & STRATEGIC MANAGEMENT

MANAGEMENT OF SERVICE OPERATIONS (MD 854)

Fall 2004

(Fulton 310: Tuesday 7:00 – 9:30)

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Office Hours: Tuesday 5:00-7:00, and by appointment

Course Description:

This course focuses on concepts, methods and tools for the management of service operations. Service operations take many forms – in freestanding businesses (such as a professional service firm), as a part of the infrastructure of a company (such as the material sourcing department of a manufacturing firm), and as digital transactions delivered by information technology (as in an e-service).

The efficiency, effectiveness and profitability of service operations are critical to competitive success in most industries. However, service operations present unique problems and opportunities to managers. The service sector continues to have an increasing contribution to the Gross National Product. The manufacturing sector increasingly supplements its goods with service support operations. At the same time, customers have become more knowledgeable and picky about service experiences, and e-commerce technologies have had a multiplicative impact on the number of channels through which service must be offered.

This course addresses issues that represent the critical success factors for a service-oriented operation. Topics include: classification of services, innovation, service design, process selection, service delivery systems, networks, information technology and e-service, outsourcing, globalization, work force attraction, motivation and retention, customer loyalty and satisfaction, and quality control. Heavy emphasis will be placed on case studies and the analysis of real-world scenarios.

Course Objectives and Teaching Methodology:

The service sector has been in a state of flux for many years. While a generation ago, “service” was viewed as the bastard stepchild to manufacturing, service now dominates the modern U.S. economy, having grown in revenue and in scope beyond what most envisioned. Over the 1990s, WWW-based information technologies and the e-commerce revolution led to new e-services and

digital service enabled goods. With each new service sector has come additional levels of government regulation and consumer advocacy, internationalization issues, innovations that sometimes led to operational failures, and financial pressures that challenge organizations' existence. The objective of this course is to explore answers to these and similar questions:

- What factors separate service industry leaders from their competitors?
- What strategies are the leaders pursuing?
- How do they orchestrate the encounters between their employees and customers?
- How do they organize and integrate diverse functional activities?
- What methods are used to ensure consistent delivery of high quality services?

This course relies primarily on articles and case studies on service management issues and practices. Students are expected to be familiar with basic operations management concepts and techniques and should come to class fully prepared to discuss the assigned cases and the reading assignment for each session.

Grading:

Class Discussion – 25%

Participants are expected to contribute constructively to the class discussion. Grading for this will be based on: (i) being present in the class, and (ii) the instructor's evaluation of discussion of the assigned readings and cases.

Case Write-Ups and Case Presentation – 25%

Case write-ups are intended to ensure that all class participants are adequately prepared for the case discussions. On the day a case is discussed in class, each student should individually submit a write-up addressing the assigned questions for the case. Each student will also be assigned to serve as discussion leader for one of the cases during the semester.

Course project – 25%

The course project is an examination and evaluation of the impact of a service trend/topic on an industry and on a select company in that industry. The project may be done individually, or in a team of 2 or 3 persons. A written report (around 10 to 20 pages) and an oral presentation (approximately 20 minutes long) to the class will be required. Some potential variations on this project are as follows:

- **Industry/Company Profile** – The report would describe an industry, the key operational problems with services in that industry, and how various service firms have addressed these operations problems. Alternately, after describing the industry, the report may focus on a single company, describing its service concept, competitive position, operational characteristics, challenges it has faced with some aspect of service operations, and how it has addressed the challenges.
- **Service Diagnosis/Problem Solving** – In this option, you might try to diagnose and hopefully solve a real service operations problem of a real company, using concepts and methods learned in the course. This project would require that you obtain real data about

the problem, analyze that data, and potentially come up with some recommendations for the company.

- **New Service Business Operations Plan** – This option provides an opportunity for entrepreneurial students to lay out the operational foundation for a new service business motivated by an ongoing service industry trend. Essentially, you would use concepts from class, along with supporting analyses, to construct a realistic operations plan for a new line of business in your service firm, or for an entirely new service organization.

Please send me an email with your proposed team project during the week of Session 4 (October 5). A one page status report on your project will be due during the week of Session 8 (November 2). You and/or your team will briefly present your project during the final class session (December 7), and the written report will be due at the same time.

Final Exam – 25%

The Dean of the Carroll School and the faculty's Education Policy Committee (EPC) require that each CSOM class must hold a final exam at the end of the semester, and that this exam may only be held during Finals Week, unless the Dean is otherwise notified. As such, MD854 will hold a final exam during Finals Week. Preparing for and taking the final exam will provide the opportunity to reflect on the class material, and integrate and internalize the concepts and methods discussed in the course.

Readings:

- **Books**
 - *Service Management: Operations, Strategy, and Information Technology*, 4th Edition, James A. Fitzsimmons and Mona J. Fitzsimmons, Irwin/McGraw-Hill, New York, NY, 2004. (ISBN 0072868201)
- **Online Readings**
 - Available online via the BC Library (BC has a license for Business Source Premier, through which you can obtain the files).
 - Available via my directory in MyFiles@BC. An email will be sent to you with the URL to access these files.
- **Case Studies**
 - Some of the cases will be taken out of the Fitzsimmons and Fitzsimmons text.
 - **Harvard Business School Cases** – will be made available via Harvard Business Online. You will have the choice of buying a PDF online (which you can then view and print out – good for 30 days), or of having HBS ship you a hard copy of an article. You will need the following information to access the course:
 - **Course Reference ID:** c34345
 - **Course Name:** Service Operations Management
 - **Course Number:** MD854
 - **Instructor Name:** Gregory Heim
- **Discussion Notes and PowerPoint Overheads** – will be handed out during class, and will be available from the class website

Tentative Schedule of Readings:

Session	Date	Topic	Fitz. & Fitz. Textbook	Readings and Cases
1	September 14	Introduction to Service Ops. Management The Nature of Services	Chapter 1 Chapter 2	Article: [available online] Case: Celebrity Cruises, Inc.: A Taste of Luxury
2	September 21	Service Strategy	Chapter 3	Articles: [available online] Case: JetBlue Airways: Starting From Scratch Case: Strategic Review at Egon Zehnder International (A)
3	September 28	New Service Development	Chapter 4	Case: Merrill Lynch: Supernova Case: Celebrity Cruises, Inc.: A Taste of Luxury
4	October 5	The Service Encounter E-Service	Chapter 5 Chapter 7	Articles: [available online] Case: Rosenbluth International and Biztravel.com
5	October 12	Service Quality	Chapter 6	Articles: [available online] Case: AT&T Universal Card Services Homework: customer comment card critique
6	October 19	Productivity and Quality Improvement Data Envelopment Analysis (DEA)	Chapter 15 Chapter 15 Supp.	Articles: [available online] Case: Managing Bank Productivity Using DEA
7	October 26	Service Facility Location The Supporting Facility	Chapter 8 Chapter 9	Case: Filene's Basement Case: Euro-Disney
8	November 2	Growth and Globalization of Services	Chapter 16	Case: Fairfield Inn Case: Four Seasons Goes to Paris
9	November 9	Managing Supply and Demand Forecasting Demand for Services	Chapter 10 Chapter 17	Game: The Yield Management Game Case: American Airlines Revenue Management
10	November 16	Queueing Models and Capacity Planning	Chapter 18	Case: Manzana Insurance
11	November 23	Managing Waiting Lines Simulation of Service Processes	Chapter 11 Chapter 11 Supp.	Case: University Health Services
	Nov. 24-26	THANKSGIVING BREAK		
12	November 30	Service Failure and Recovery		Articles: [available online] Case: British Airways Case: Northwest Airlines Detroit Storm
13	December 7	Managing Service Supply Relationships Managing Facilitating Goods	Chapter 12 Chapter 13	Case: Laura Ashley and FedEx Course Project – Student presentations
14	December 14	Study Day – No class		
FINALS	December 21	FINAL EXAM 7:00 p.m. – 9:30 p.m.		

PART 1 – THE SERVICE CONCEPT

Session 1 – Introduction to the Service Concept

This session provides an overview of the course. We will spend some time defining the notion of “service” and go over some background for much of what we’ll do later. The characteristics of services will be discussed, and challenges for managers will be identified.

Readings

Fitzsimmons & Fitzsimmons, Chapters 1 and 2

C. H. Lovelock (1983), “Classifying services to gain strategic marketing insights,” *Journal of Marketing*, Vol. 47, No. 3, p. 9-20. [Available online via the BC Library (Business Source Premier), and via my directory in MyFiles@BC.]

Case Discussion

“Celebrity Cruises, Inc.: A Taste of Luxury [HBS Case 9-603-096; Available online from www.hbsp.harvard.edu]

This case discusses issues Celebrity Cruises today is dealing with in its service. We will use it as a basis for discussing such concepts as the service package, the unique characteristics of services, and dimensions for service classification.

In reading the case, **prepare yourself to discuss** the following during class:

1. What market(s) is/are Celebrity Cruises serving?
2. What does the Celebrity Cruises service package consist of?
3. How are the distinctive characteristics of a service firm (i.e., intangibility, perishability, heterogeneity, simultaneity, customer participation in the service process) illustrated by Celebrity Cruises?
4. Characterize Celebrity Cruises with respect to the nature of their service act, their relationship with customers, their customization of the service experience, the use of judgment during delivery of the service, the nature of demand and supply, and the method of service delivery.
5. Which classification frameworks (from the Fitzsimmons chapters and from Lovelock’s article) can be used to classify Celebrity Cruises? What insights do you gain from the frameworks?

Session 2 – Service Strategy

We cover business strategy and operations strategy as they relate to services. We characterize the service value chain and the virtual value chain.

Readings

Fitzsimmons & Fitzsimmons, Chapter 3

J. L. Heskett, et al. (1994), “Putting the service-profit chain to work,” *Harvard Business Review*, March-April, p. 164-174. [Available online via the BC Library (Business Source Premier), and via my directory in MyFiles@BC.]

Case Discussion

“JetBlue Airways: Starting From Scratch” [HBS Case 9-801-354; Available online from www.hbsp.harvard.edu]

This case chronicles the issues surrounding the startup and development of the service concept of JetBlue Airways. Issues touched upon include JetBlue’s vision, values, leadership, HR, information technology to enhance service, organizational culture, and rapid growth.

Turn in a write-up answering the following questions:

1. What market is JetBlue serving? What competitive strategy has JetBlue chosen to use in this market? What are the advantages and/or dangers of this strategy?
2. Do the elements of JetBlue’s “service package” and how they carry it out through their operations strategy support their competitive strategy?
3. Has information technology supported/driven some of JetBlue’s service innovations? What benefits do customers derive from these innovations? Who is being impacted by the information technology (employees? customers? competitors?)?

“Strategic Review at Egon Zehnder International (A)” [HBS Case 9-904-071; Available online from www.hbsp.harvard.edu]

This case chronicles an existing professional service firm that has experienced internal and external environmental changes necessitating a review of the direction of the firm.

Turn in a write-up answering the following questions:

1. What market is Egon Zehnder International (EZI) serving?
2. Does the operations strategy of EZI support its present business strategy?
3. Is it sufficient for EZI simply to hire the smartest people, let them do their job, and let everything else (e.g., operations strategy) fall into place? Or, should EZI conduct a strategic review?

Session 3 – New Service Development

We consider frameworks for understanding new service design, and notions and tools for designing and redesigning service operations.

Readings

Fitzsimmons & Fitzsimmons, Chapter 4

Case Discussion

“Merrill Lynch: Supernova” [HBS Case 9-604-053; Available online from www.hbsp.harvard.edu]

This case discusses opportunities and challenges involved in rolling out a new service package in a professional services firm where employees have built their practices around another service paradigm.

Turn in a write-up answering the following questions:

1. What market does Merrill Lynch attempt to serve?
2. How does the new Supernova Service Promise force a change in Merrill Lynch’s operations strategy? Is this operations strategy aligned with the business strategy?
3. Should Merrill Lynch force the roll-out of Supernova to all of its offices and financial advisors?
4. How should managers deal with the uneven adoption of the new Supernova service model (that is, some managers and FAs being Supernova evangelists, while others have done nothing)?

“Celebrity Cruises, Inc.: A Taste of Luxury [HBS Case 9-603-096; Available online from www.hbsp.harvard.edu]

This is the same case we discussed in the first class. This class, **prepare yourself to discuss** the following:

1. To what extent has Celebrity Cruises been working their way through the steps of the NSD Process Cycle (Fitzsimmons & Fitzsimmons, p. 70)?
2. Should Celebrity Cruises redesign its service package? What should they do differently in the redesigned service?

PART 2 – SERVICE PRODUCT AND SERVICE PROCESS

Session 4 – Service Product: Person-to-Person Service Encounter and E-Service

We consider the service encounter – both in a person-to-person environment and in a person-to-technology (e-service) environment.

Readings

Fitzsimmons & Fitzsimmons, Chapters 5 and 7

Hemp, P. (2002), “My week at the Ritz as a room-service waiter,” *Harvard Business Review*, June, Vol. 80, No. 6, p. 50-59. [Available online via the BC Library (Business Source Premier), and via MyFiles@BC.]

Simons, R. (1995), “Control in an age of empowerment,” *Harvard Business Review*, March-April, p. 80-88. [Available online via the BC Library (Business Source Premier), and via my directory in MyFiles@BC.]

Case Discussion

Levy, M. (2004), “Best Buy Zeroes In On Its Customers: Ray, Jill, Barry and Buzz,” *StarTribune.com*, May 5, 2004. [Available online via my directory in MyFiles@BC.]

Elliott, C. (2004), “Hotels, Again Profitable, Add Irritating Surcharges,” *NYTimes.com*, April 27, 2004. [Available online via my directory in MyFiles@BC.]

Come prepared to discuss the following questions:

1. Do the encounters described in these articles – “moments of truth” – affect customer perceptions of the service firm?

“Rosenbluth International and Biztravel.com” [HBS Case 9-800-356; Available online from www.hbsp.harvard.edu]

Acquiring an Internet travel agency targeting the business traveler resulted in an unanticipated need for human-to-customer service contact. This case illustrates how a brick and mortar firm can help an e-service and vice versa. (To see what Biztravel.com looked like during the time of this case, you can search for it on <http://web.archive.org/>)

Turn in a write-up answering the following questions:

1. What market is Rosenbluth serving? Why has Rosenbluth International been successful at its core business?

2. What market does Biztravel.com serve? Why had Biztravel.com been successful to date, and what will it take to keep it successful going forward?

3. Does Biztravel.com help out the future success of Rosenbluth International, and vice versa? Which company does more for the other?

4. Should Bibeau “blow out” the high-service strategy? What should its relationship be to the development of Travelution.com?

Session 5 – Measuring and Improving Service Quality

We consider how to measure and manage performance in the external portion of the service profit chain (customer loyalty, service quality, and satisfaction).

Readings

Fitzsimmons & Fitzsimmons, Chapters 6

Reichheld, F. F. (2003), “The one number you need to grow,” *Harvard Business Review*, Vol. 81, No. 12, p. 46-54.

Jones, T. O., and W. E. Sasser (1995), “Why satisfied customers defect,” *Harvard Business Review*, November-December, p. 88-99.

Reichheld, F. F., and W. E. Sasser (1990), “Zero defections: Quality comes to services,” *Harvard Business Review*, September-October, p. 105-111.

Hart, C. (1988), “The power of unconditional service guarantees,” *Harvard Business Review*, July-August, p. 54-62.

[The above articles are available online via the BC Library (Business Source Premier), and via my directory in MyFiles@BC, except as noted.]

Homework Assignment

You will receive a packet of photocopied pictures of customer comment cards from various service organizations. Choose **three** of the comment cards (your choice). Your homework is to prepare an analysis of these cards (**write up, and hand in**) so that we can critique the comment cards during class. For each comment card you choose, focus on the following questions:

1. What is the overall value of the data collection going on with the comment card? Will the results found from this data collection be actionable for (i) marketing research and/or (ii) operational improvement?
2. Are the right quality metrics being collected? Are enough quality metrics being collected for this type of service? Are too many being collected? Which metrics are missing?
3. Does the comment card facilitate (i) statistical analysis (e.g., reporting of averages), and/or (ii) Statistical Process Control?

Case Discussion

“A Measure of Delight: The Pursuit of Quality at AT&T Universal Card Services (A)” [HBS Case 9-694-047; Available online from www.hbsp.harvard.edu]

As part of its overall strategy for delighting customers, AT&T Universal Card Services created a comprehensive quality measurement and compensation system, facilitating multiple measures of internal process performance and external customer satisfaction. Using the system, UCS attempted to achieve rapid identification of process problems, customer satisfaction, and employee motivation to delivery high quality service. Despite some success with the system, the company finds it difficult to balance the basic tensions arising from linking compensation to performance.

Come to class prepared to discuss (do not turn in):

1. Assess the strengths and weaknesses of Universal Card Services quality systems with respect to (i) measurement system, (ii) compensation system, and (iii) problem solving/process improvement system.
2. Is the UCS system really a quality system, or is it just a compensation system? What quality tools are missing, and how might they be used?
3. Assuming that the system will not be abandoned, make recommendations for modifying or realigning the system to make it more managerially useful into the future.

Session 6 – Service Productivity and Quality Improvement + DEA

We consider how to improve performance and how to analyze service productivity within the internal service operations portion of the service profit chain.

Readings

Fitzsimmons & Fitzsimmons, Chapters 15 and Chapter 15 Supplement

Swank, C. K. (2003), “The lean service machine,” *Harvard Business Review*, October, p. 123-129.

Vuorinen, I., et al. (1998), “Content and measurement of productivity in the service sector: A conceptual analysis with an illustrative case from the insurance business,” *International Journal of Service Industry Management*, Vol. 9, No. 4, p. 377-396.

Van Looy, B., et al. (1998), “Dealing with productivity and quality indicators in a service environment: some field experiences,” *International Journal of Service Industry Management*, Vol. 9, No. 4, p. 359-376.

McLaughlin, C. P., and S. Coffey (1990), “Measuring productivity in services,” *International Journal of Service Industry Management*, Vol. 1, No. 1, p. 46-64.

[The above articles are available online via the BC Library (Business Source Premier, Emerald Library), and via my directory in MyFiles@BC, except as noted.]

Case Discussion

“Managing Bank Productivity Using Data Envelopment Analysis (DEA)” [Available online from MyFiles@BC.]

Turn in a write-up answering the following questions:

1. Do you find the net benefits of the DEA exercise documented in this case to be compelling?
2. Would you as a manager choose to make decisions based upon the notion of “efficiency” that is described in the case?
3. What challenges do you think would appear if your organization (or an organization you are familiar with) tried to use DEA to evaluate productivity?

Session 7 – Service Facilities and Facility Location

We explore issues surrounding physical service facilities, such as facility location, servicescapes, facility design, and facility layout.

Readings

Fitzsimmons & Fitzsimmons, Chapters 8 and 9

Case Discussion

“Filene’s Basement” [HBS Case 9-594-018; Available online from www.hbsp.harvard.edu]

This case looks at Filene’s Basement’s store location procedure, and at an early 1993 decision about two candidate sites in the metropolitan Chicago area.

1. How do you appraise Filene’s Basement’s expansion strategy? Comment on the concept, the choice of regions for expansion, and the number of stores.
2. How should Filene’s Basement select sites for future outlets? Critique the current process.

“Euro-Disney: The First 100 Days” [HBS Case 9-693-013; Available online from www.hbsp.harvard.edu]

The Walt Disney Co. theme parks historically have thrived on the basis of a formula stressing excellent customer service and a magnificent physical environment. The formula has proven successful in Japan and the United States, but led to a controversial opening of Euro Disney in France, leading some to doubt the international appeal of the formula. The case examines the transferability of a successful service concept across international boundaries.

1. What factors influenced the location decision of Disney? Was it a wise decision?
2. What cultural issues were important for exporting the Disney concept to Europe? How much Euro-specialization should Disney have designed into the park, relative to the typical Orlando design?
3. What (i) servicescape dimensions and (ii) operational issues were influenced by the differences in culture between France and the U.S.?

Session 8 – Growth and Globalization of Services

In this session, we consider the issues surrounding domestic growth and expansion strategies, and franchising. We also consider the impact of globalization and global service strategies.

Readings

Fitzsimmons & Fitzsimmons, Chapter 16

Case Discussion

“Fairfield Inn (A)” [HBS Case 9-689-092; Available online from www.hbsp.harvard.edu]

The management of Fairfield Inn faced significant issues concerning how best to grow the chain. Fairfield had to make a decision about whether to utilize some form of franchising as a way to gain access to prime real estate in order to grow more rapidly

Turn in a write-up answering the following questions:

1. At what rate should Fairfield Inn’s management attempt to grow the chain?
2. Would you recommend franchising this service concept? To what extent?

“Four Seasons Goes to Paris: ‘53 Properties, 24 Countries, 1 Philosophy’” [HBS Case 9-803-069; Available online from www.hbsp.harvard.edu]

This case illustrates how Four Seasons manages hotels in countries with strong and distinct national cultures and how the chain meets its exacting service standards in a variety of settings worldwide, with special attention on France.

Turn in a write-up answering the following questions:

1. How do you feel about the way Four Seasons entered the Paris market? What was good and/or bad about the entry strategy? Why?
2. Do the lessons from this case study apply to firms entering markets other than France? If not, why? If so, how, and to what types of markets?

PART 3 – TOOLS AND TECHNIQUES FOR MANAGING SERVICE OPS

Session 9 – Forecasting Demand and Matching Supply to Demand

We briefly cover forecasting models for predicting service demands during upcoming periods. We then consider methods for managing supply and demand, and the use of yield management in services.

Readings

Fitzsimmons & Fitzsimmons, Chapters 10 and 17

Case Discussion

“American Airlines, Inc.: Revenue Management” [HBS Case 9-190-029; Available online from www.hbsp.harvard.edu]

This case discusses the use of quantitative methods to support a broad range of tactical and strategic airline decisions. The principal thrust of the case is on revenue management.

Turn in a write-up answering the following questions:

1. What are American’s major strategic and tactical decisions? What quantitative tools might the airline employ to support these decisions?
2. Refer to the discussion of the Chicago-West Coast pricing decision in the case. Should American counter Continental’s \$159 fare with a relatively unrestricted discount fare on the nonstop Chicago-West Coast flights?
3. Refer to the discussion of the New York-San Juan pricing decision in the case. What additional information should Doug Santoni collect to decide on a response to Eastern’s pricing initiative?

Game

Yield Management Game

The Yield Management Game illustrates the process of using revenue management in airline booking decisions. We will play the Yield Management Game twice in class. Prior to class, please make sure you read pages 275-278 in the Fitzsimmons and Fitzsimmons textbook.

Session 10 – Queueing Models and Capacity Planning

We consider how to plan for appropriate capacities to satisfy service demands. We then review analytical queueing models that can be used to provide estimates of system waiting times and throughputs.

Readings

Fitzsimmons & Fitzsimmons, Chapter 18

Case Discussion

“Manzana Insurance” [HBS Case 9-692-015; Available online from www.hbsp.harvard.edu]

Turn in a write-up answering the following questions:

1. What is your assessment of the rules used to assign priorities at Fruitvale?
2. What are the important measures of operating performance for the Fruitvale branch? How well has the branch been performing based on these measures?
3. Why have profits been deteriorating over the past year?
4. What are your recommendations for managerial action? In particular, how should Manzana respond to Golden Gate’s new policy of one day service?

Session 11 – Managing Waiting Lines & Simulation of Service Processes

In this session, we consider the methods that can be used to manage waiting times in lines, and customer perceptions about these waiting times. Simulation is a computerized tool that can be used to estimate waiting times within a service.

Readings

Fitzsimmons & Fitzsimmons, Chapter 11 and Chapter 11 Supplement

Case Discussion

“University Health Services: Walk-In Clinic” [HBS Case 9-681-061; Available online from www.hbsp.harvard.edu]

The walk-in clinic for general outpatient care at a major university experiences complaints about excessive wait times. The system is changed to provide better service.

In reading the case, **prepare yourself to discuss** the following during class:

1. Evaluate the performance of the clinic. Are waiting times acceptable?
2. Why are walk-in appointments a problem? What should Ms. Angell do about them, if anything?
3. What actions would you recommend to Ms. Angell?

Assignment

In this assignment, you will explore the usefulness of the ServiceModel software that is bundled with the textbook. The assignment will be handed out during Session 9.

Session 12 – Service Failure and Recovery

Eventually, a service experience fails to satisfy the customer in some manner. How a service firm plans for and recovers from such failures will greatly determine perceptions of how the service was, whether they will return, and the nature of the word of mouth passed on by the customer.

Readings

Tax, S. S., and S. W. Brown (1998), “Recovering and Learning from Service Failure,” *Sloan Management Review*, Fall, p. 75-88.

Chase, R. B., and D. M. Stewart (1994), “Make your service fail-safe,” *Sloan Management Review*, p. 35-44.

Hart, C., et al. (1990), “The profitable art of service recovery,” *Harvard Business Review*, July-August, p. 148-156.

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Case Discussion

“British Airways: Using Information Systems to Better Serve the Customer” [HBS Case 9-395-065; Available online from www.hbsp.harvard.edu]

British Airways developed an information system called CARESS to ensure rapid response to customer complaints quickly and to improve customer retention.

In reading the case, **prepare yourself to discuss** the following during class:

1. What objectives was British Airways pursuing in developing CARESS?
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?

“Northwest Airlines/Detroit Storm” [HBS Case 9-800-053; Available online from www.hbsp.harvard.edu]

This case chronicles the stranding of a group of passengers on a NWA plane on the tarmac during a strong winter storm.

Turn in a write-up answering the following questions:

1. What exactly went wrong? Why did it go wrong? Who, or what, was responsible?
2. Could this situation have been avoided? If not, how could it have been mitigated?
3. What should Northwest Airlines have done in response to this situation?

Session 13 – Service Supply Relationships and Managing Facilitating Goods

We discuss service relationships along the service supply chain.

Readings

Fitzsimmons & Fitzsimmons, Chapter 12 and Chapter 13

Case Discussion

“Laura Ashley and FedEx Strategic Alliance,” [HBS Case 9-693-050; Available online from www.hbsp.harvard.edu]

Laura Ashley, global clothing and furnishing retailer, is faced with a disastrous distribution system resulting in simultaneous high inventories and frequent stock-outs. A strategic alliance is formed between Laura Ashley and FedEx Business Logistics Services to turn over such functions to FedEx.

Turn in a write-up answering the following 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 concept of substitution of information for physical assets?
3. What are the costs and benefits of the alliance for FedEx and for Laura Ashley?
4. Is this alliance between Laura Ashley and FedEx a model for service outsourcing?

Session 13 – Student Presentations of Course Projects

Student teams must come prepared to present a managerial overview of their course projects to educate the class on their findings.