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. 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:


Articles:


3. 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%
3.1. 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.

3.2. 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.

3.3. 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.

3.4. 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.
### 4. Course Schedule (subject to change)

<table>
<thead>
<tr>
<th>Date</th>
<th>MTB, Readings</th>
<th>Group Project (MTB Drop box deadlines at 11pm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Oct 31</td>
<td><strong>Introduction, Service Revolution</strong> Service Star, Syllabus</td>
<td></td>
</tr>
<tr>
<td>2 Nov 7</td>
<td>Service Star, Segmentation 1. Int. Health Insurance (A)* (Quiz) Service Star Handout Articles</td>
<td>1. List of Group Members</td>
</tr>
<tr>
<td>3 Nov 14</td>
<td>Service Star, Positioning 2. Golden Arch Hotel* (Quiz) Articles</td>
<td>2. Company Name</td>
</tr>
<tr>
<td>4 Nov 21</td>
<td>Service Pricing 3. Lufthansa Air Cargo (Quiz) Pricing Handout Articles</td>
<td>3. First Draft of Service Star</td>
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<tr>
<td>5 Nov 28</td>
<td>Employee Management, Service Culture 4. Egon Zehnder* (Quiz) Articles</td>
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<tr>
<td>6 Dec 5</td>
<td>Satisfaction, Service Recovery, Loyalty 5. Nortel Networks (Quiz) Articles</td>
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<tr>
<td>7 Dec 12</td>
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<td>4. Final Paper Due (Dec 12)</td>
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* These cases cover some typical challenges of globalizing a service business.
5. **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.

5.1. **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.

5.2. **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.

5.3. **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?

5.4. **Egon Zehnder**

1. Evaluate the Executive Search industry (at the time the case took place). What are the advantages and disadvantages of EZI’s niche?
2. What makes EZI’s culture special?
3. Why were industry practice groups introduced? What tensions did they create within the firm? What else does the firm need to do to successfully integrate practice groups into the EZI culture?
4. If you were Dan Meiland, what would you be most concerned with right now?
5.5. **Customer Value Measurement at Nortel Networks**

2. What are the biggest problems and challenges when measuring customer satisfaction?
3. When does it make sense to use qualitative research, when do you prefer qualitative 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?
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

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<th>Evaluation¹</th>
<th>Comments</th>
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#### A. CONTENT

**Relevance**

1. Are all major, relevant topics covered?

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**Analytical Strength**

2. Are technical terms and definitions coherently and correctly applied?

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3. Does the breadth and depth of the paper reflect its purpose?

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4. Is the paper developed logically and is it internally consistent?

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**Creativity**

5. Are new perspectives, ideas, approaches developed? (double weight)

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#### B. WRITING

6. Is the writing clear and precise? Are subsections well integrated into a cohesive whole?

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7. Are grammar, punctuation, sentence structure, word choice, etc., error-free?

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#### C. STYLE

8. Are exhibits and tables used to enhance the clarity/readability of the paper?

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¹ 4= super, 3= very good, 2= good, 1= poor
### D. RESEARCH

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<td>10. Are the facts (markets, customers, financials, etc.) well researched and are the sources cited?</td>
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<tr>
<td>Group membership submission on time</td>
<td>minus 4 points if not</td>
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<td>Company indication on time</td>
<td>minus 4 points if not</td>
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<tr>
<td>First draft of services star on time</td>
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Stefan Michel, 20-Oct-06
Appendix 3: Criteria for Evaluating Student Class and MTB Participation

The following categories will be used to evaluate class participation:

- **Super:** 10/10 Outstanding substantive contribution
- **Very Good:** 8-9/10 Volunteered something worthwhile/substantive
- **Good:** 7-8/10 Managed to say something meaningful
- **Poor:** less than 6 No contribution/obviously unprepared

Meaningful participation can take several forms:

1. A significant piece of case analysis
2. A suggestion that a certain area of the case needs to be explored
3. A structuring of logic taking some of the points raised earlier in the discussion and concluding them
4. A reasonable alternative not previously identified
5. A suggested plan of action or implementation
6. A significant quantitative or financial analysis
7. A comprehensive and useful summary

**Not attending class or coming to class late results in a zero score for that particular session.**