



Aalto University
School of Business

23E10000 Service Business Strategy Exercises V_20190110

Spring Term 2019

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Department of Marketing

1. Foundations of Service Management

Exercise 1: Mobility Services

Exercise 1:

Please list potential reasons for BMW to introduce mobility services such as DriveNow or ReachNow. That is, what might be the motivation for initiating the strategic change from building the ultimate driving machine to becoming a mobility service provider?



- ...
- ...
- ...

- ...
- ...

1. Foundations of Service Management

Exercise 1: Mobility Services

DriveNow – Income Statement 2017



Manager Magazin
(29.01.2018)

in € million	BMW Brilliance		THERE		DriveNow	
	2017	2016	2017	2016	2017	2016
DISCLOSURES RELATING TO THE INCOME STATEMENT						
Revenues	14,628	12,991	71*	1,240	71	58
Scheduled depreciation	637	486	-	52	-	-
Profit / loss before financial result	1,619	1,328	-1	-149	-17	-15
Interest income	46	30	-	1	-	-
Interest expenses	-	2	-	22	-	-
Income taxes	454	363	-	3	-	-
Profit / loss after tax	1,337	1,031	362	-167	-17	-15
thereof from continuing operations	-	-	-151	-1	-	-
thereof from discontinued operations	-	-	513	-166	-	-
Other comprehensive income	-121	30	2	-4	-	-
Total comprehensive income	1,216	1,061	364	-171	-17	-15
Dividends received by the Group	258	134	-	-	-	-

* Revenues relate only to the month of January up to the time of loss of control of HERE.

The screenshot shows a news article from Manager Magazin dated 29.01.2018. The headline is "Sixt verkauft DriveNow-Anteil an BMW". The article discusses the sale of a 50% stake in DriveNow to BMW. It mentions that the transaction is valued at approximately 209 million euros. The article also notes that the sale is part of a broader strategy for Sixt and BMW to explore a potential merger between their car-sharing services, Car2Go and DriveNow. The article includes a photo of a white car with the DriveNow logo and a search bar at the bottom.

BMW Group (2018) Annual Report 2017, p. 150

1. Foundations of Service Management

Exercise 1: Mobility Services

Please list potential reasons for BMW to introduce mobility services such as DriveNow or ReachNow. That is, what might be the motivation for initiating the strategic change from building the ultimate driving machine to becoming a mobility service provider?

Characteristics	Product-centric approach	Service-centric approach
Access to the brand	Restricted, via dealerships	Open, via membership
Brand image	Risk of being outdated	Being trendy, sharing is “cool”
Basic philosophy	To sell to whoever will buy	To serve customers
Business model	Selling cars	Selling minutes of car usage
Business orientation	Transaction-oriented	Relationship-oriented
CO2-emissions (fleet average)	Intensifying discussion on car emissions (e.g., EU target: 95 grams of CO ₂ per km by 2021)	Promoting smaller cars with lower emissions, reducing fleet emissions
Competitors	Audi, Lexus, Mercedes, Tesla, ...	Google, Uber, ?
Customer insights	Surveys, interviews, complaints, ...	Gaining real-life behavioral data!

2. Foundations of Service Quality Management

Exercise 2: Service Quality Champions

Survey questions (individual tasks, open group discussion, 20 min):

1.

Please go to www.menti.com, type in the survey code, and write down one company or organization you consider to be a true service champion.

2.

Please go to www.menti.com, type in the survey code, and provide one concrete attribute that makes this company or organization a service champion.

2. Foundations of Service Quality Management

Exercise 2: Service Quality Champions

1.

Please go to www.menti.com, type in the survey code, and write down one company or organization you consider to be a true service champion.

Go to www.menti.com and use the code **48 79 28**

Open Ended

Service Champions

Nordea	Amazon	Stockmann
Finnair	Chick-fil-a	Disneyland
Google	Elisa	Stockmann
Booking.com, Aalto, Airbnb	Timma	Taobao
Spotify	Airbnb	EasyPark
Amazon		

2. Foundations of Service Quality Management

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2. Foundations of Service Quality Management Exercise 2: Service Quality Champions

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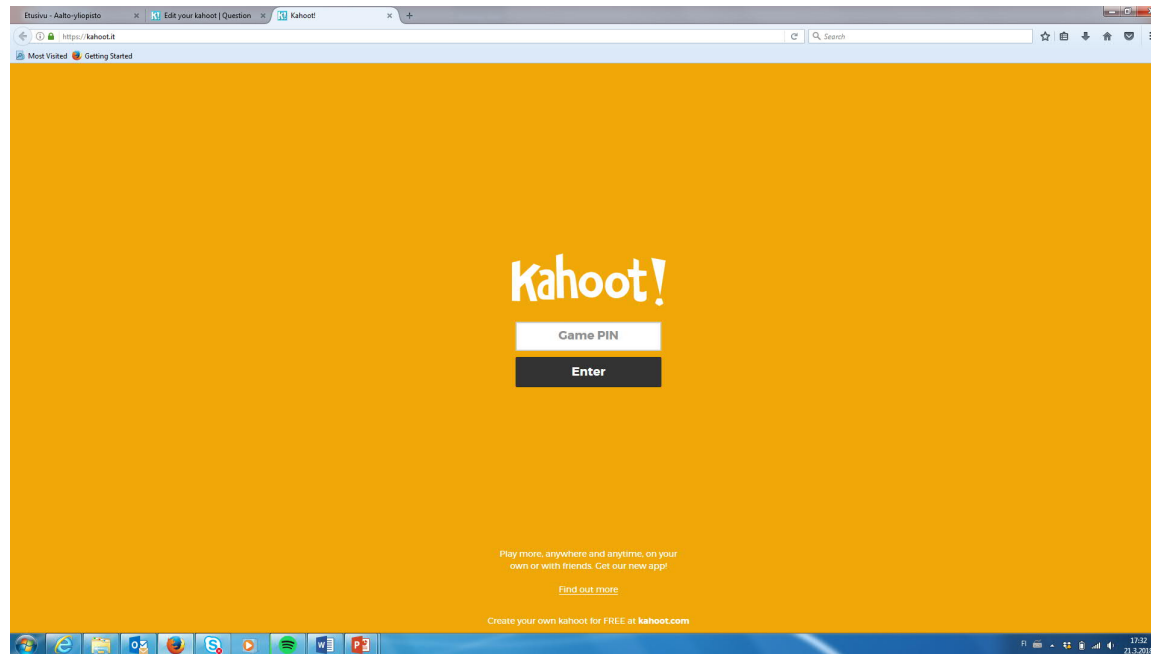
Mentimeter

Flexibility	Customer attention, flexibility	Convenience
easy access	Finnair - everything works efficiently and without extra hassle	It helps me managing my everyday life
It hasn't ever failed (so far)	efficiency	consumer attention
Helpful workers	Flexible, good return policy	Fast and convenient
They provide many services (Alexa, Lambda...)	customer control	Quick and efficient
I picked Nordea, because they exceeded the expectations in the case of a complaint.		

2. Foundations of Service Quality Management

Exercise 3: Service Quality Quiz

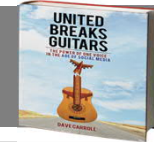
Please form teams of max. 5 players, visit www.kahoot.it using your PC, smartphone or tablet ,and type in the game pin provided by the lecturer. Wait for further instructions...



3. Managing Service Recovery

Exercise 4: United Breaks Guitars

Dave Carroll and “United Breaks Guitars” Timeline



- 2008 Dave Carroll’s (a professional musician) Taylor guitar (worth 3,500 USD) had been damaged during transfer at Chicago’s O’Hare airport. The flight attendant did not care when Carroll pointed to the potential mishandling of baggage. He was told to talk to a lead agent at the O’Hare airport, then to ground crew in Omaha, then to ground crew in Halifax. Dave Carroll had spent numerous months seeking for compensation; he was redirected from a call center in India to baggage office in Chicago, to central baggage center in NYC, and back again to the call center. Ms. Irlweg, customer service representative of United Airlines finally concluded that Dave Carroll’s complaint cannot be handled (checked in the guitar, did not make the claim within the 24-hour timeframe)
- 2009 Dave Carroll decided to produce three songs describing his experiences with United as a response and posted the video of the first song “United breaks guitars” on YouTube on Monday, July 6th. The clip quickly became popular on multiple platforms such as Twitter, Consumer Reports magazine, Los Angeles Times, HuffingtonPost, CNN, CBS Morning Show, and Associated Press picked up on the issue within 2-3 days after the video had been launched
Video had been viewed 4.6 million times within three weeks after its upload
Top 20 iTunes download in Canada in July 2009; number one country music download in UK in July 2009.
- 2012 Carroll and "United Breaks Guitars" were featured in the CBC/CNBC documentary *Customer (Dis)Service*
Carroll published a book, *United Breaks Guitars: The Power of One Voice in the Age of Social Media*.

Wikipedia (2017)

3. Managing Service Recovery Exercise 4: United Airlines

Dave Carroll and “United Breaks Guitars”

Following the video clip, what exactly went wrong? Please form groups of 4-5 students and identify flaws along United Airline’s service recovery provision based on the three justice dimensions discussed in class.

Procedural justice:

- ...

Interactional justice:

- ...

Outcome justice:

- ...

3. Managing Service Recovery Exercise 4: United Airlines

Dave Carroll and “United Breaks Guitars”

Following the video clip, what exactly went wrong? Please form groups of 4-5 students and identify flaws along United Airline’s service recovery provision based on the three justice dimensions discussed in class.

Procedural justice:

- Unclear recovery procedure
- Nobody takes ownership on behalf of UA
- Inefficient process

Redesign and clarify complaint/recovery process
Clearly define and communicate responsibilities

Interactional justice:

- Nobody seems to take care
- Employees do not even try to approach the issue from the customer’s point of view
- Lack of empathy and responsiveness

Carefully select, train, and empower frontline staff

Outcome justice:

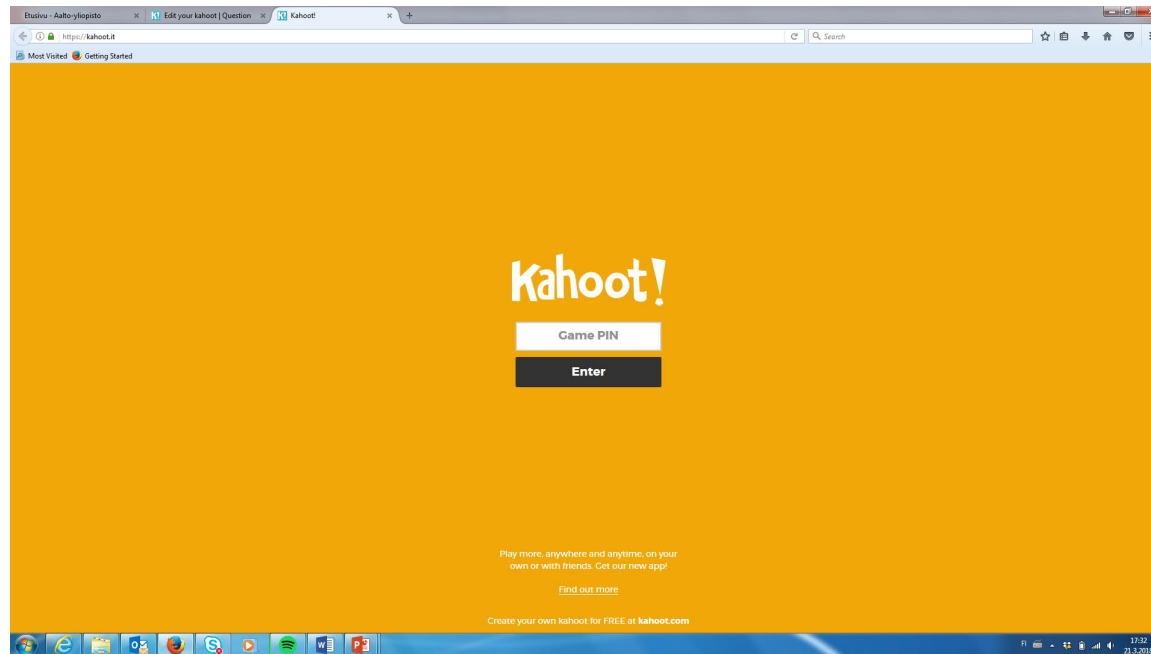
- No financial compensation offered
- No immaterial compensation (=apology) offered
- Reaction only after the first video clip went viral

Consider material and immaterial compensations

3. Managing Service Recovery

Exercise 5: Service Recovery Quiz

Please form teams of max. 5 players, visit www.kahoot.it using your PC, smartphone or tablet, and type in the game pin provided by the lecturer. Wait for further instructions...



Lean Service Creation Group Task Idea

1. Please organize yourselves into groups of max. five members. The group allocation will be facilitated during the first lectures on Tuesday, Jan. 8 and finalized on Thursday, Jan. 10, 2019.
2. Select one Finnish subject company to focus on during the group work. Appropriate subject companies might include well-known brands such as Amer Sports, Finnair, Fiskars, Kone, Marimekko, Rovio, Viking Line to name a few. Please decide upon the target company by Thursday, Jan. 10, 2019 (name of the company to be indicated during the lecture).
3. Your task is to come up with a relevant business objective for your target company that can be solved by designing a new service for a particular segment of customers. You are encouraged to consider the following aspects when designing the service:
 - A. What is the business objective of your organization that the service will address?
 - B. Describe the customer group you are designing the service for. What is the need, want, problem, or desire you are addressing for your customer group with your service
 - C. Describe your service concept as a value proposition as well as the basic features of the service (i.e., what is the service?).
 - D. Depict your service based on a blueprint.
 - E. Develop a fake ad promoting your service offer.
 - F. How will you know that you have succeeded in reaching that business objective?

Lean Service Creation Group Task Format

1. Each group will present its suggestion for an innovative service offering on Tuesday, Feb. 12 or Thursday, Feb. 14, 2019. Presentations should not exceed 10 min in length in order to leave enough room for discussion. We will try to invite target company representatives to attend the group presentations.
2. Please submit your presentation in pdf-format latest by Monday, Feb. 11, 2019, at 12.00 (noon) Finnish time to sbstrategy2019@gmail.com.
3. Clearly indicate your group members on the submitted file.

Lean Service Creation Group Task

Day 1

Task: Design a new service for a Finnish company

Step 1: Deciding on a target customer company or segment.

Select one existing Finnish target company. For a more varied and interesting discussion, let there be different companies.

- The more familiar you are with the target company, its market(s), and its customers, the better
- Typically a consumer business is easier to work on
- Target company allocation is handled based on a first come, first serve approach
- Inform the teacher once you have decided on the target company

Lean Service Creation Group Task

Day 1

Task: Design a new service for a Finnish company

Step 1: Deciding on a target customer company or segment.

Select one existing Finnish target company. For a more varied and interesting discussion, let there be different companies.

- Team “Marimekko” (Matilda, Silla, and Miika)
- Team “Alko” (Allesandro, Cecilia, Konsta, Simo, and Suvi)
- Team “Health care” (Berenice, Charlotte, Marie, Sanni, and Siiri)
- Team “Suunto”

Lean Service Creation Group Task

Day 2

Step 2: Deciding on a business objective for your target company.
(max. 10 min)

Imagine that you are the Head of Innovation of your target company. You have been assigned with a team to develop and design a new (service) business for a particular target customer.

- Your task is to write down a clear (business) objective for this team:
 - The objective should be of strategic importance for the whole unit
 - The objective should be understandable and clear to all stakeholders
 - The objective doesn't have to tackle its implementation, i.e., outline how the goal is reached
- Write down the business objective on a post-it note

Lean Service Creation Group Task

Day 3

Step 3: After having defined the business objective, your team starts with developing the new service that helps to achieve the business objective.
(max. 20 min)

Why is your company doing this? What business objective are you trying to reach with your new service? Try to sketch the big picture here.

Business Objective and Context-canvas:

- Start from the middle box
- Then continue with the upper left corner
- Then work on the lower two boxes

Lean Service Creation Group Task

BUSINESS OBJECTIVE AND CONTEXT

Fill together with the person funding this project

How will we know that we have succeeded? <small>(After a month? After one year?)</small>	Who needs to be involved? <small>(Stakeholders, old and related projects...)</small>	
<div style="border: 1px dashed gray; padding: 10px; margin: 0 auto; width: 80%;"> <p>What is our business objective? <small>(Business problem/need/opportunity...)</small></p> </div>		
What enables us? <small>(Our brand, our new strategy, competences, resources, new legislation, previous project, specific conditions, new trends...)</small>	Why is it important? <small>(How does it fit our strategy?)</small>	What restricts us? <small>(Budget, Schedule, Organization, Legal, Competition...)</small>

ASK WHY.

We filled this together with the person funding this?
 We talked these goals with our supervisors?
 All in this canvas is clear and understandable?
 We are comfortable to proceed?

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Lean Service Creation Group Task

Day 4

Step 4: Immersion-canvas.

Once you have finished the Business Objective and Context-canvas, you can start filling in the Immersion-canvas. This is the canvas that helps you doing your homework before taking a deeper dive into creating the new service.

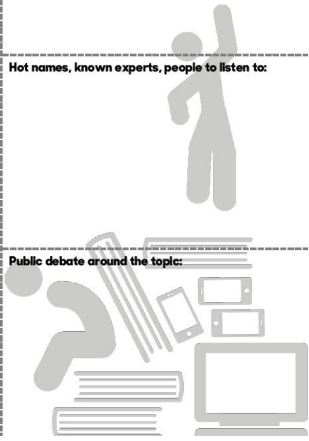
Immersion-canvas:

- Start with the upper left box, continue to the right, then you might skip the competitors box and continue right away with the right box in the second line etc., and then follow the normal order
- Helps you to assess where you are and to build on top of others' work

Lean Service Creation Group Task

IMMERSION - To know where you are and to build on top of others work.

Your best guess of the customer's problem	Alternative solutions from the customer's perspective
Competitors within our business domain :	Hottest start-ups:
How could current business be disrupted:	Hot names, known experts, people to listen to:
Inspiring services & products:	Public debate around the topic:



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Lean Service Creation Group Task

Day 4

Step 5: Customer grouping-canvas.

It's time to group customer and to identify the most promising customer segments. Which customer group might be particularly interested in your new service?







Customer group-canvas:


- Begin with pondering on the commonalities between the groups (if they are common enough, you will end up with a large target market)
- Name the customer group and then describe the group based on three bullet points (what are the three most important things to know about this customer group?)
- NOW DEFINE THE CUSTOMER PROBLEM YOUR ARE SOLVING FOR THIS GROUP
- Finally, ponder on whether/why/why not this is your main target group

Lean Service Creation Group Task

CUSTOMER GROUPING Choose who you aim to serve.

Common in all customer groups:

<p>Group name:</p> 	<p>Description:</p>	<p>Problem (assumed) worth solving:</p> 	<p><input type="checkbox"/> Main group?</p> <p>Why/why not?</p>
<p>Group name:</p> 	<p>Description:</p>	<p>Problem (assumed) worth solving:</p> 	<p><input type="checkbox"/> Main group?</p> <p>Why/why not?</p>
<p>Group name:</p> 	<p>Description:</p>	<p>Problem (assumed) worth solving:</p> 	<p><input type="checkbox"/> Main group?</p> <p>Why/why not?</p>

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Lean Service Creation Group Task

Day 5

Step 6: Data – Knowing your numbers and the facts.

Let's minimize guessing and collect meaningful facts and insights. Know what you can know and what you don't know.

- Your task is to ponder on valuable insights from within and outside the company
- Important questions that need to be answered include
 - What data do we need?
 - What might be relevant data sources?
- What customer insights can be won based on the data?

Lean Service Creation Group Task

DATA – Know your numbers and facts	
What data do we need? What internal data? Should we do a wide scale market research?	List the relevant data sources:
Key findings of users from the DATA:	Key opportunity related to the users:
Key findings of our and others business based on the DATA:	Key opportunity related to the business/competitors:

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Lean Service Creation Group Task

Day 5

Step 7: Insight – What are real customer needs?

Get out of your office and meet some real people. This canvas helps you in planning qualitative interviews with consumers.

- Don't talk about your intended solution; make interviewees talk about their problems and needs!
- Design a basic interview guidebook
- Figure out whom to interview, count for representatives of your target segments
- Figure out whether you want to conduct focus group or in-depth interviews
- Ponder on broad guiding questions

Lean Service Creation Group Task

INSIGHT - Deep understanding of the customer's motivations that unlocks a business opportunity

Insert problem interview script here

Introduction

Setting the atmosphere

The actual data gathering

Ending


Immediate thoughts






Example "Problem Interview" script


Welcome (2min)
Thank you for your time today. Please, the person conducting.


Background information
Without talking about the solution, get the person to talk about the problem on hand and ask why. ("ask the person to describe what did not work for them and if possible what did work for them to do it? What were the pain points? What did they do to solve the problem?")

Ask the person to evaluate the problem (2-3 min)
How important?
How frequent?
How is it solved currently?
Thank you!



 Name:	Needs + other key findings:	Thinks and feels:	Surprised us:
 Name:	Needs + other key findings:	Thinks and feels:	Surprised us:
 Name:	Needs + other key findings:	Thinks and feels:	Surprised us:
 Name:	Needs + other key findings:	Thinks and feels:	Surprised us:
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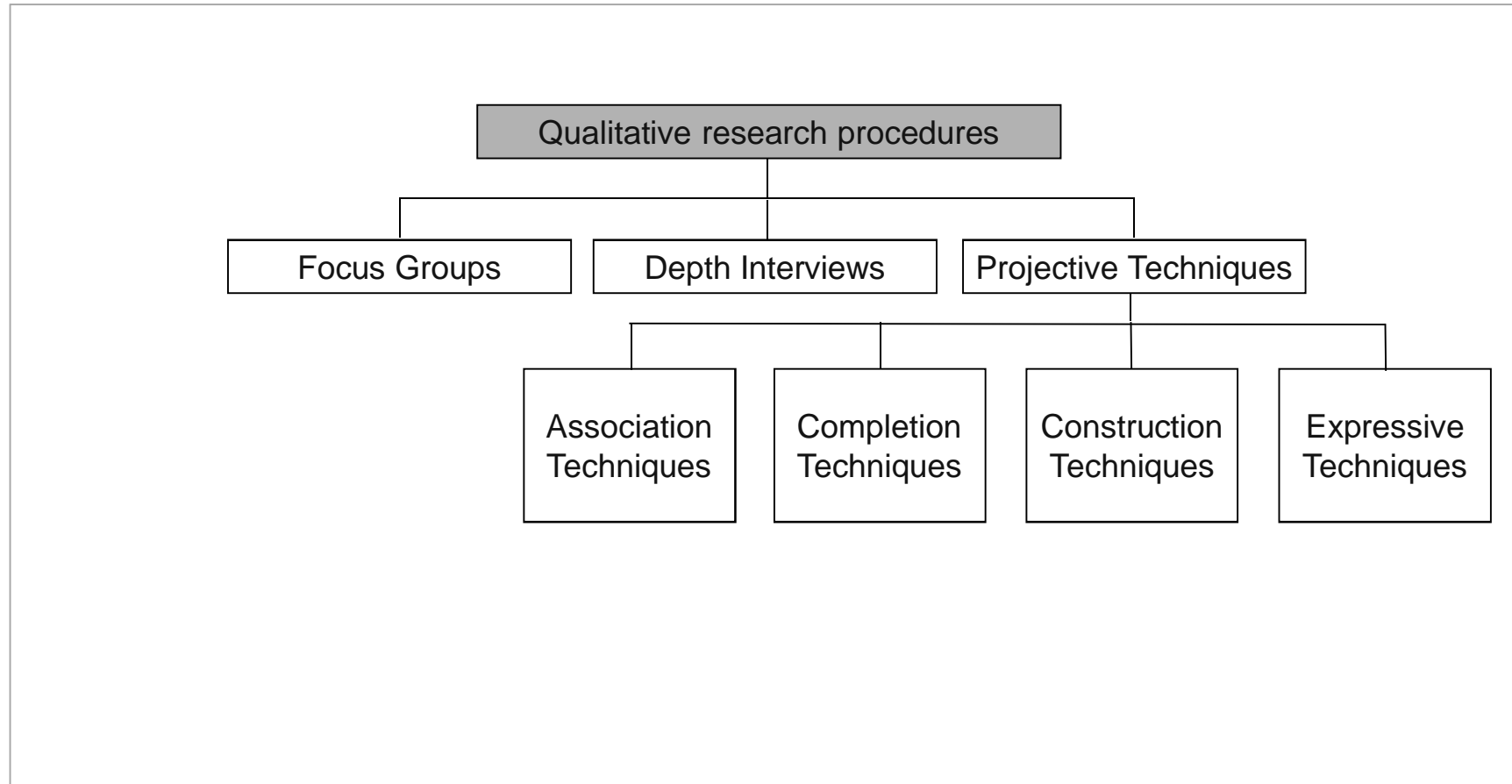

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Lean Service Creation Group Task – General Research Approaches

Exploratory Research	Used when seeking insights into the general nature of a problem, the possible decision alternatives, and the relevant variables that need to be considered.
Descriptive Research	Provides an accurate snapshot of some aspect of the market environment.
Causal Research	Used when it is necessary to show that one variable causes or determines the values of other variables.

Lean Service Creation Group Task – Qualitativ Research Approaches



Lean Service Creation Group Task – Focus Group Interviews

Characteristics:

Inquiry of a group of people

Moderator who leads through the different stages of the group discussion
(basic information on the group discussion, introduction of participants, discussion, summary)

Idea: Offers participants more stimulation than an interview; makes new ideas and meaningful comments more likely

Selection of participants is of vital importance, extreme heterogeneity and extreme homogeneity is counter-productive

Observation of group phenomena could provide additional insights (e.g., gestures and facial expressions)

Moderator plays a key role, high requirements on his/her social and analytic skills

Lean Service Creation Group Task – Depth Interviews

Characteristics:

- ▶ Nondirective interviews: Respondent is given maximum freedom to respond
- ▶ Semi-structured or focused individual interviews: Covers a specific list of topics or sub-areas
- ▶ Inquiry based on an interview manual (particularly useful for expert interviews)
- ▶ Interview in form of a dialogue
- ▶ Idea: By creating a trustful atmosphere respondents are more willing to provide in-depth information
- ▶ Semi-structured depth interviews especially important for exploring consumer behavior (consumer motives, values, and goals etc.)