

# Service Operations (SO)

Post Graduate Program for Working Executives 2014-15

## Week 3

Vinay Kumar Kalakbandi  
Assistant Professor  
Operations & Systems Area

09/11/2014

Vinay Kalakbandi

1

## This week on Service Operations

- Recap
- Southwest Airlines
- Service strategy
- Service Design fundamentals

09/11/2014

Vinay Kalakbandi

2

## Recap

- Service characteristics
- Service package
- Service economy
- Service Dominant logic
- Service classifications

09/11/2014

Vinay Kalakbandi

3

## **SERVICE STRATEGY**

7/3/2015

Vinay Kalakbandi

4

# Southwest Airlines

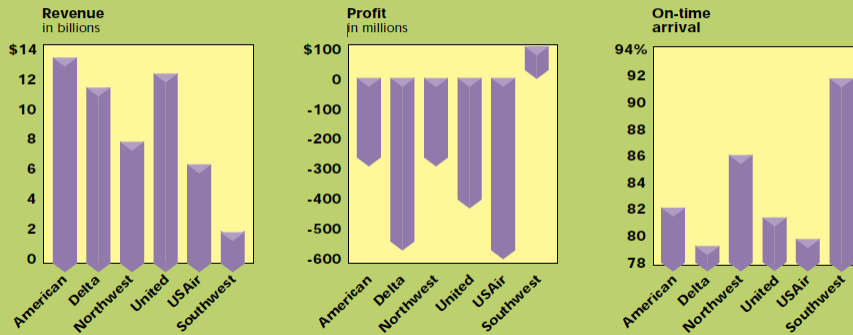


7/3/2015

Vinay Kalakbandi

5

## How Southwest Compares with Its Competitors

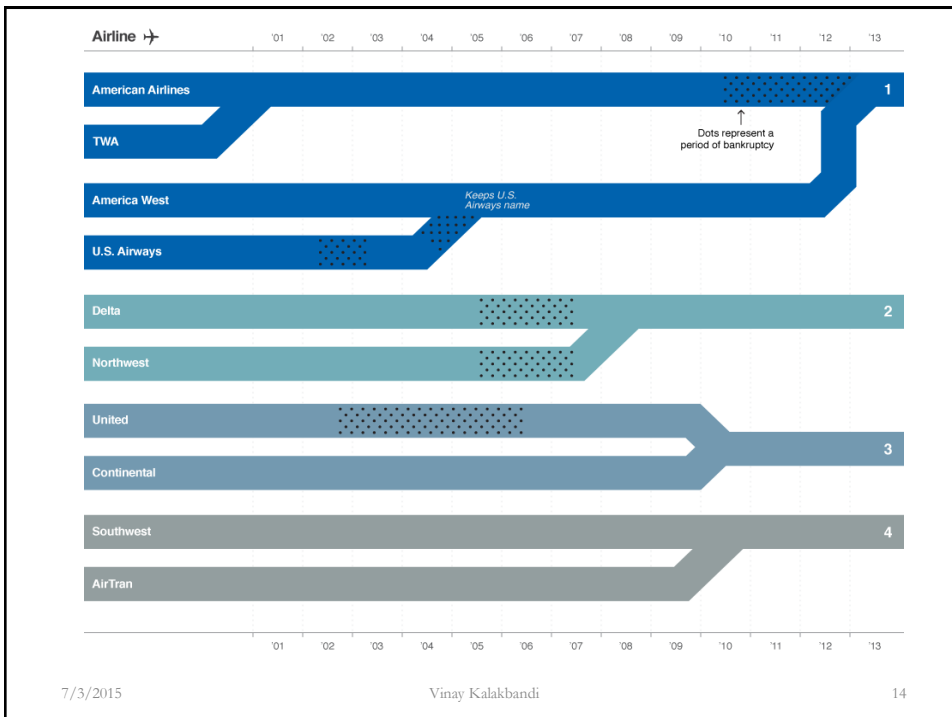
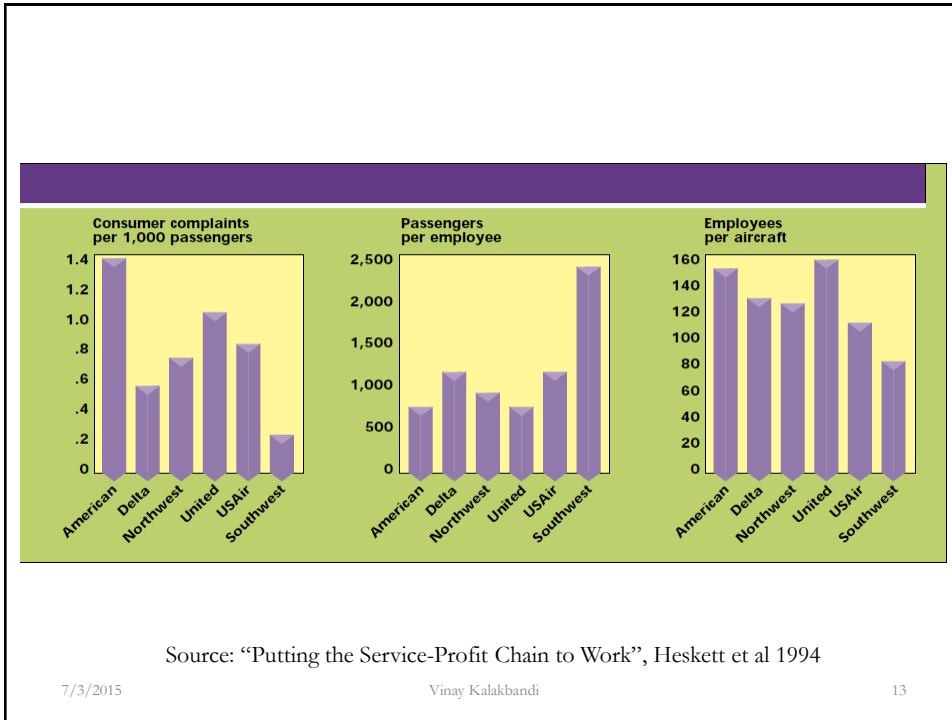


Source: "Putting the Service-Profit Chain to Work", Heskett et al 1994

7/3/2015

Vinay Kalakbandi

12



# Questions

1. Why has SWA been so successful for so long?
2. Why has no other competitor successfully imitated their strategy?
3. How do you think they should continue growing in the future?

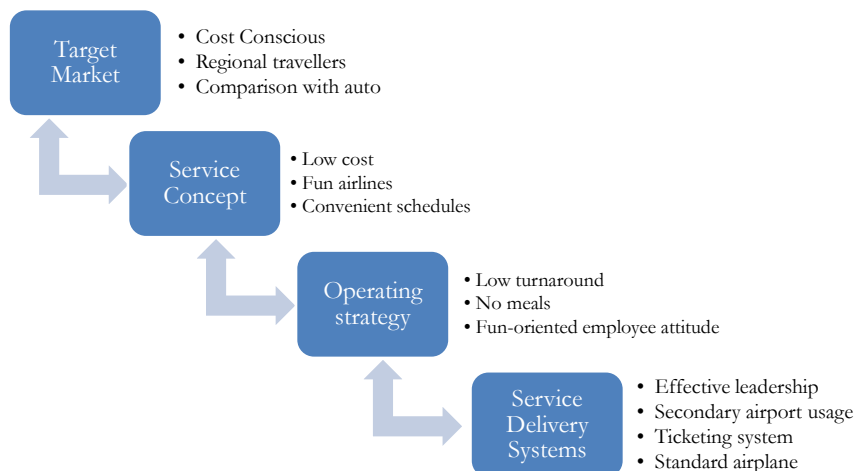
7/3/2015

Vinay Kalakbandi

15

Slide by Prof. Pierre Dussage, HEC Paris

## Strategic service vision



7/3/2015

Vinay Kalakbandi

17

## Service Strategic Vision

- Target market segments
  - What are common characteristics of important market segments?
  - What dimensions can be used to segment the market, demographic, psychographic?
  - What needs does each have?
- Service concept
  - What are important elements of the service to be provided, stated in terms of results produced for customers?
  - How are these elements supposed to be perceived by the target market segment, by the market in general, by employees, by others?
  - How do customers perceive the service concept?

7/3/2015

Vinay Kalakbandi

18

## Service Strategic Vision

- Operating strategy
  - How the company should be structured in order to meet the service concept?
  - Where would be the most investment of money and effort?
  - How will quality and cost be controlled? Measures? Rewards? Incentives?
- Service Delivery system
  - Dealing with People
  - Choice of technology, equipment, layout, procedures
  - Capacity planning

7/3/2015

Vinay Kalakbandi

19

## Today's discussion points

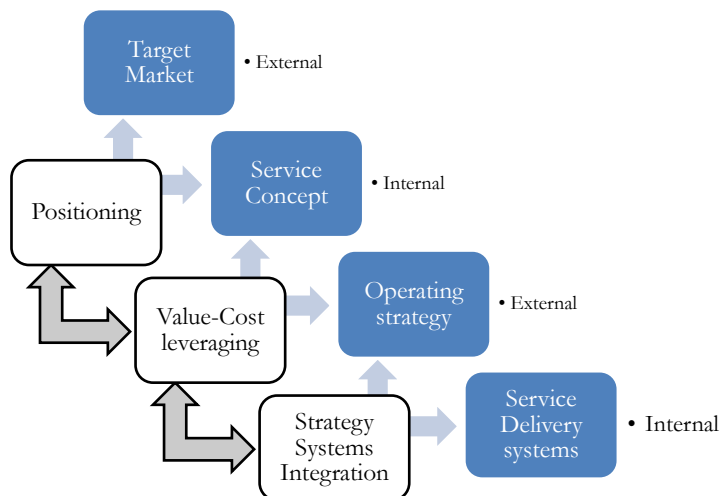
- How has Southwest's original strategy been altered in recent years? How have these changes affected Southwest's key success factors?
- Quantitatively, estimate the importance of fast turnaround of aircraft to Southwest Airlines?
- Would you recommend that Southwest Airlines acquire the gates and slots available at LaGuardia Airport? Why?

09/11/2014

Vinay Kalakbandi

20

## Strategic service vision contd.



7/3/2015

Vinay Kalakbandi

24

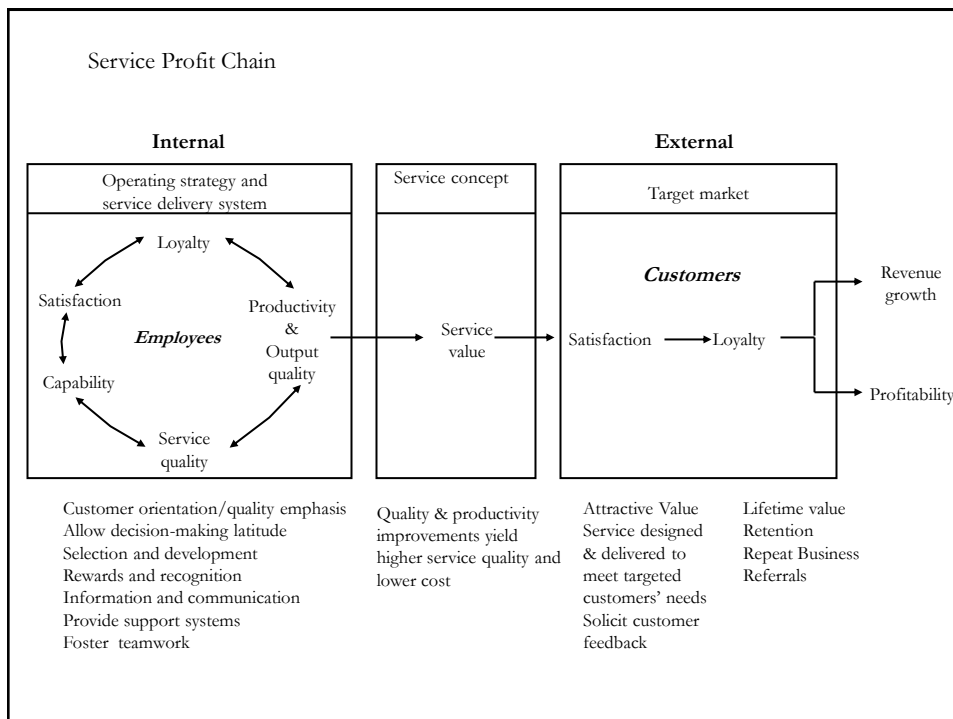
## More on SSVs

- SSV is iterative and evolves over a period of time
- Internal and External SSVs necessary
  - Your service should also be directed towards your employees

7/3/2015

Vinay Kalakbandi

25





## Customer Value Equation

- Service design process should take a Customer-centric view
  - Results Produced for the customer
  - Process Quality
  - Price to the customer
  - Costs of acquiring the service

$$Value = \frac{Results\ Produced + Process\ Quality}{Price + Cost\ of\ Acquiring\ the\ Service}$$