

Best Face Forward: Why Companies Must Improve Their Service Interfaces with Customers

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SYLLABUS OVERVIEW

While there are a few ways these materials may be sequenced, here we outline our preferred structure, with five modules. You may of course recombine these modules in a different order, depending on the goals of your course. We have provided an overview for each module, recommended which chapters in *Best Face Forward* should accompany each module, and suggested case studies that fit well with the module materials.

COURSE OPPORTUNITIES

This book may be used effectively in a number of different courses, because its focus relates directly to the following subjects:

- Service Management
- Service Marketing
- Building Customer Focus Organization
- Building Market Focus Organization
- IT or MIS (How Technology Interrelate with Customers)
- Strategy
- Marketing
- Additional areas: Automation, Customer service, Electronic commerce, Information age, Information technology, Process innovation, Retailing, Service management, Services, Technology & operations.

BOOK OVERVIEW

Now more than ever, success is based on how well firms manage interactions with customers. Short on appropriately skilled labor and flush with new intelligent technologies, visionary managers are not just outsourcing or sending work offshore for greater efficiency; they are recruiting machines into the workforce for greater effectiveness. Technology is taking over "front office" roles in customer relationship management-sparking a revolution in how firms serve customers and compete with rivals.

In *Best Face Forward*, we argue that as this "front-office automation" revolution unfolds, competitive advantage will increasingly depend on deploying the right mix of interfaces with customers-human, automated, and hybrids of both-to surpass current levels of performance and service. Based on extensive research inside both start-up and established businesses, *Best Face Forward* proposes guiding principles and a practical auditing tool for determining how humans and machines can best collaborate in mediating critical customer interactions. Far from dehumanizing the workforce, the authors show how this revolution will create a "people-rich" workplace--one that

combines the unique capabilities of humans and machines to create a better world for all of us. *Best Face Forward* is broken down into an Introduction and 8 chapters:

- Introduction: an overview of the themes in the Book
- Interfaces As the New Frontier of Competitive Advantage (Chapter 1)
- The Interface Imperative (Chapter 2)
- The Front-Office Revolution (Chapter 3)
- What People Do Best (Chapter 4)
- What Machines Do Best (Chapter 5)
- Putting the Amalgam of People and Machines to Work (Chapter 6)
- Managing Interface Systems (Chapter 7)
- The Interface Audit (Chapter 8)

MODULE 1: INTRODUCTION TO INTERFACES

The first module explores the ways companies have touched customers in the past, how they've managed those interactions, and the implications of those interactions on the business. We analyze the new realities of business that have made the quality of customer interactions the next frontier of competitive advantage. And we argue that the most actionable approach to managing customer experience focuses on a company's service interfaces, because those interfaces are how companies determine the quality of their interactions with customers. These chapters introduce concepts and language that will be useful throughout the course, including:

- Automation
- Service interfaces
- Interface systems
- Front-office reengineering revolution

Chapters to accompany this module: Introduction & Chapter 1

MODULE 2: INTERSECTION OF INTERFACES AND TECHNOLOGY

The second module explains why the front-office revolution is unfolding now and examines the rapid growth of and sophistication in the use of technology-mediated interfaces. It introduces the four trends in technology evolution that result in new possibilities for the role technology can play in managing customer interactions for companies. The trends are:

- The proliferation of smart devices
- The rising intelligence and interactivity of those devices
- Increasingly affective appeal of devices
- The synaptic connectivity that links such devices to other devices and networks

Chapter to accompany this module: Chapter 2

Case Study

Title: *Sony AIBO: The World's First Entertainment Robot*

Author: Youngme Moon

Product #: 9-502-010 (Boston: Harvard Business School, 2003)

Comment: The Sony AIBO is the world's first "entertainment" robot. Positioned as a household "companion," the \$1,500 AIBO has become a smash hit in Japan, appealing to both the young and the old, including those with little technical expertise. In the United States, the AIBO is in hot demand among "techies" infatuated with high-tech gadgets; however, it has yet to catch on with the mainstream. The task for Takeshi Yazawa, VP and general manager of Sony Entertainment Robot America, is to figure out how to market the AIBO to the American masses. Teaching Purpose: Used to discuss how a new technology diffuses through a population; in particular, the contrast between the AIBO's diffusion pattern in Japan versus the United States raises interesting questions about the dynamics that influence how innovations become adopted by mainstream consumers.

MODULE 3: THE FRONT-OFFICE REVOLUTION

The third module examines the front-office revolution that is totally changing how companies organize work, relate to customers and markets, and establishes competitive advantage. We contrast the reengineering revolution of the 1980s with the front-office reengineering revolution unfolding today. Front-office reengineering involves the radical redefinition of front-office labor in light of the contributions of machines and machine-driven processes. These new roles for machines result from the four trends outlined in module 2. By bringing people and machines together into their front lines, companies can radically improve efficiency (lower costs of delivering a customer interaction) and effectiveness (better quality of customer interaction).

Chapter to accompany this module: Chapter 3

Case Studies

Title: *ING Direct: Redefining Direct Banking*

Author: Soumitra Dutta and Sameer Oundhakar

Product #: 302-184-1 (Fontainebleau, France: INSEAD, 2002)

Comment: It's the 80-20 rule. In healthcare, statistics show that roughly 20% of the population consumes 80% of the resources. In retail banking, just 10 to 20 products generate 80% of the total profits. With this understanding as a backdrop, ING Direct set out to create a simple, streamlined bank. While typical retail banks offer more than 100 mutual funds, ING Direct offers just 10 to 15. While other retail banks invest money and resources in branches, ING Direct focuses on the technology that allows its customers to interact with the bank through electronic channels, like the telephone, Internet, or ATM machines. As the "Ikea" of banking, ING Direct has carved out a powerful niche for itself. In this new case, Soumitra Dutta, The Roland Berger Professor of Business and Technology and Sameer Oundhakar, INSEAD MBA '02, review the company's strategy and ask whether it can sustain itself through such significant growth period.

Title: *Chemical Bank: The Pronto System*

Author: John A. Quelch

Product #: 9-584-089 (Boston: Harvard Business School, 1984, revised 1988)

MODULE 4: THREE INTERFACE ARCHETYPES

The fourth module takes a closer look at the building blocks of interface systems, outlining the three interface archetypes – humans, machines and hybrids. First, we examine the traditional interface through which companies have delivered services throughout history – the pure human interface involving people in the interaction and relationship management functions of the front office.

We then examine the automated interface that has begun to appear as more and more smart devices are tied to networks and become compelling interfaces for connecting customers and companies. Finally, we examine two versions of hybrid interfaces, people enabled by machines and machines enabled by people. Our intent here is to examine the ways in which humans and machines may collaborate in the front-line work force, and how the combinations of people and technology can prove powerful in compressing costs while increasing the quality of interactions.

Chapters to accompany this module: Chapters 4, 5, & 6

Case Studies

Title: *Nordstrom: Dissension in the Ranks? (A)*

Author: Robert L. Simons and Hilary A. Weston

Product #: 9-191-002 (Boston: Harvard Business School, 1990)

Comment: In 1989, the performance measurement systems and compensation policies of Nordstrom Department Stores unexpectedly came under attack by employees, unions, and government regulators. The case describes the "sales-per-hour" monitoring and compensation system that many believed to be instrumental in Nordstrom's phenomenal success. Illustrates how rapid company growth, decentralized management, and unrelenting pressure to perform can distort performance measurement systems and lead to undesirable consequences.

Title: *Ritz-Carlton: Using Information Systems to Better Serve the Customer*

Author: W. Earl Sasser, Jr., Thomas O. Jones and Norman Klein

Product #: 9-395-064 (Boston: Harvard Business School, 1999)

Comment: Explores the interface of an information system that keeps track of guests and their preferences, and the people systems that deliver multiple services at Ritz-Carlton hotels. The luxury hotel chain's unique service credo and commitment to quality principles are discussed as well as the attention to hiring and training. At the heart of the case is the Ritz-Carlton commitment to serving the customer. Teaching Purpose: Invites discussion of a unique interplay of technical and people systems, and the roles they play in serving the customer. Teaching points include the chain's commitment to its credo; culture; quality principles; and the unusual evolution of its information system.

Title: *Rapid Rewards at Southwest Airlines*

Author: Frances X. Frei

Product #: 9-602-065 (Boston: Harvard Business School, 2003)

Comment: Southwest is a highly profitable airline in a very difficult industry. Two key drivers of Southwest's success are its relentless focus on a low-cost strategy and its ability to set customer expectations appropriately. This case is told through the lens of a frequent flier who has made two requests of the airline for differentiated service. Although Southwest is known for offering bare bones service, these requests are intriguing as they require no additional cost. In addition, satisfying the frequent flier (and

others like her) could potentially provide economic insulation to the declining airline market. Should Southwest yield to this request? Teaching Purpose: 1) To illustrate the economics of the airline industry and the critical economic role of the last few passengers on the plane, 2) to force students to consider the operational implications of changes in its service concept and the implications of denying "free" service to its most frequent fliers, and 3) to explore a range of low-cost strategies that firms use across industries and the operational design necessary to support these strategies.

Title: *Wyndham International: Fostering High-Touch with High-Tech*

Author: Lynda M. Applegate and Gabrielle Piccoli

Product #: 9-803-092 (Boston: Harvard Business School, 2002)

Comment: Examines a hotel chain's attempt to use information technology to achieve market dominance and build customer loyalty during a period of global industry decline. Teaching Purpose: To explore the use of information technology to build customer loyalty.

Title: *Fairfield Inn (A)*

Author: James L. Heskett and Kenneth Ray

Product #: 9-689-092

Comment: The Fairfield Inn, an economy hotel venture by the Marriott Corp., has developed a novel method for selecting and measuring the performance of its hotel personnel that fits the company's strategy. Because it faces the need to grow rapidly, questions have arisen as to whether to offer franchises and in what form, considering the need to protect its unique concept.

Title: *Fairfield Inn (B)*

Author: James L. Heskett and Kenneth Ray

Product #: 9-692-005 (Boston: Harvard Business School, 1993)

Title: *First Direct (A)*

Author: Jeffrey F. Rayport and Dickson L. Louie

Product #: 9-897-079 (Boston: Harvard Business School, 1997, revised 1998)

Comment: Describes the operations and strategy of the world's largest, fastest growing branchless bank. Using a person-to-person interface over conventional phone lines, First Direct provides standard banking and related financial products to nearly 700,000 customers throughout the United Kingdom. By employing a sophisticated customer information system and a highly educated workforce on the frontline, the bank has achieved customer satisfaction and retention levels that are roughly twice those of its nearest competitor in either direct or traditional retail banking services. This outcome was achieved through the use of information infrastructure to personalize services, model preference profiles, and cross-sell relevant products in the course of over-the-phone banking interactions. This breakthrough service model has demonstrated that banks may deliver greater quality of service at significantly lower costs by exploiting virtual or "marketspace" channels for service delivery and customer relationship management. The question facing the bank, a unit of Midland plc (which was, in turn, owned by HSBC), was how fast, in what manner, and in what market segments the organization should grow.

Title: *First Direct (B)*

Author: Jeffrey F. Rayport and Carrie L. Ardito

Product #: 9-898-145 (Boston: Harvard Business School, 1998)

Title: *EasyJet: The Web's Favorite Airline*

Author: Brian Rogers and Nirmalya Kumar

Product #: GM 873 (Lausanne, Switzerland: International Institute for Management Development, 2000).

Comment: Stelios Haji-loannou, the 32 year-old CEO and founder of easyJet airlines, achieved profitability for the first time in 1999, almost 4 years after launching his London-based low-cost carrier. The concept behind easyJet was "to offer low-cost airline service to the masses", and the airline accomplished this by adopting an efficiency-driven operating model, creating brand awareness, and maintaining high levels of customer satisfaction. A key issue in the case is whether the airline will continue to grow and survive in the highly competitive low-cost segment of the market. In 2000, Stelios was anxious to try his hand at launching other businesses, so he started a chain of Internet cafés. Some questioned whether Stelios would be able to successfully transfer his low-cost business model to Internet cafes. Undeterred, Stelios moved ahead with his plan to create easyEverything, with the belief that he could make a profit by encouraging customers to surf the Internet, send email, and shop online.

MODULE 5: MANAGING INTERFACE SYSTEMS

The fifth and final module examines practical aspects of making the interface systems work. We first examine a variety of interface systems and what makes some successful and others not. We focus in particular on one company – QVC – that's orchestrated a world-class interface system using people and machines in a variety of innovative roles and created a truly breakthrough business as a result.

We also provide an assessment tool for deploying interface systems and optimizing portfolios of interfaces already deployed.

Chapter(s) to accompany this module: Chapters 7&8

Case Studies

Title: *TV-Home Shopping Wars: QVC and Its Competitors*

Author: Jeffrey F. Rayport and Elizabeth B. Glass

Product #: 9-395-014 (Boston: Harvard Business School, 1994, revised 1995)

Comment: QVC is one of two dominant players in the TV-home shopping sector of the retailing industry. It faces three strategic challenges: 1) the growth of its core business, especially with a powerful rival, Home Shopping Network, as the industry matures and competition increases; 2) the potential diversification of its core business to electronic platforms other than TV; and 3) the dependency of its core business on the evolving cable-TV infrastructure. Teaching Purpose: To show traditional versus marketplace approaches to retailing. To identify the dimensions of service quality and brand differentiation in the electronic world.

Title: *QVC, Inc.*

Author: Jeffrey F. Rayport and Dickson L. Louie

Product #: 9-897-050 (Boston: Harvard Business School, 1996, revised 1997)

Comment: Illustrates the "Service Profit Chain" in action. QVC, whose initials stand for Quality, Value, and Convenience, demonstrates clearly how a strong customer focus can lead to establishing a strong franchise in the retail sector and a highly profitable

business whose revenue has grown 14% per year for 1992-96--usually at the expense of the rival Home Shopping Network and through higher customer retention.