



FRANCES X. FREI

New Service Design

This exercise is designed to create the opportunity for students to design a new service offering. Students can select any service industry that interests them and then perform an analysis of the competitive landscape of the industry as well as a design of their new offering. The following steps are intended as guidance for the exercise.

- As a group, select a new service on which to work collectively.
- Perform a competitive analysis of the selected industry. This should include an identification of the dominant players in the industry and an articulation of the need for your new service offering relative to what already exists. Pick relevant dimensions on which to assess the industry. As a starting point, consider using the dimensions of level of service quality (e.g., high- and low-end) and extent of customization.
- Position your new service where it would compete in this landscape.
 - If the position is unoccupied, the aim of the exercise is to determine if the gap was previously open because it is not sustainable or because no firm was creative enough to occupy it.
 - If the position is occupied, the aim of the exercise is to be explicit about how the new service design will be superior to existing offerings.
- Define the service offering. Articulate the specific attributes targeted for excellence. Be sure to include price as well as service dimensions in your proposal, and be clear about dimensions you are both choosing to be excellent at as well as dimensions that your competition has focused on that you will not. You may find it useful to display these results graphically.
 - Describe how your internal operations will be designed to support your service concept. Be as specific as possible about the tradeoffs required to deliver on your service concept. In particular, be clear about how your choices here support your price positioning. For example, if you are competing on low-prices, how are you achieving lower costs than the competition in your operations?
- Describe the funding mechanism for the service offering. Explain how customer behavior might influence firm performance and articulate a plan for managing its impact.

Professor Frances X. Frei prepared this exercise for use with the EC course Managing Service Operations.

Copyright © 2005 President and Fellows of Harvard College. To order copies or request permission to reproduce materials, call 1-800-545-7685, write Harvard Business School Publishing, Boston, MA 02163, or go to <http://www.hbsp.harvard.edu>. No part of this publication may be reproduced, stored in a retrieval system, used in a spreadsheet, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording, or otherwise—without the permission of Harvard Business School.

- Describe the employee management system. Describe how employees are to be set up to deliver the service offering with excellence. Be clear about how your employee selection, training, motivation, and ongoing management might differ from the competition.
- Describe your customer management system. What types of behavior are required of your customer? How do these behaviors compare to what is required with the competition? What is the mechanism for ensuring this behavior?

Important Dates

- *Tuesday, September 26: Introduce exercise*
- *Wednesday, October 11: In-class workshop*
 - Class will be devoted to an in-class workshop to work with your team on the New Service Design exercise.
 - A sample completed exercise will be presented in the beginning of class.
- *Monday, November 6: New Service Design Presentation in the Williams Room*
 - Class will begin with each New Service Design team posting their project in the area indicated for their team. The room has been organized in groups of teams (“pods”), within which most of the class’s work will occur.
 - Each team will evaluate the projects of the other teams in their pod and offer feedback and suggestions for improvement. Pods are free to organize this feedback and review as they prefer.
 - There will be time at the end of the class to review projects outside of your Pod.
- *Thursday, November 9: Project and poll completion*
 - Final projects incorporating feedback from the project presentations are due Thursday November 9 at 5:00 PM. A hardcopy of the project must be submitted to Elizabeth Scheele.
 - The New Service Design poll must be completed between Monday and Thursday November 6-9.