
TEACHING NOTE: DE LAI SCOOTER STORE**INTRODUCTION**

These notes for instructors draw from experience of using De Lai Scooter store in MBA and E/IMBA classes. The case may be integrated into the following classes:

1. Services Marketing – Potentially useful in the introductory course phases to illustrate differentiation through service
2. Service Operations – With a focus on design of the service offering
3. Service with a Far-East / Chinese business focus – With a focus on the small family firm differentiating its offering through service.

Readers will note the reference to break-out groups. This approach suits Chinese¹ students. Experience suggests that Chinese students work effectively when given specific aspects of the case to discuss in groups. The instructor moves around the room facilitating small group discussions and leads each group towards relevant themes. Each group then makes a quick, timed presentation on their aspect of the case. This has the added advantage learning to prepare a quick PowerPoint within the class time. This approach increases instructor contact with all class members than the more typical ‘free for all’ chalk and talk session. The instructor has to take care to draw out key learning points discussion that follows each presentation.

CASE SYNOPSIS

De Lai is family firm that sells scooters, carries out repairs and retails scooter related merchandise. The firm is located Changhua city, near Taichung, in the centre of Taiwan. Fen Yuan Zhang opened this family firm in 1983. By 1998 he became distributor for Yamaha scooters in the Changhua area. To qualify as a distributor the main De Lai store has to fulfill Yamaha’s requirements of being a “Super Plaza”. The Zhang family also opened another motorbike and scooter store, Liang Tong, which frees them from some of the restraints of the Yamaha franchise.

The day to day running of the business is in the hands of Dong-Yuan Zhang (the son). Don Yuan runs a team of 10 that includes his wife, Li Fen Lin, his younger sister and 8 mechanics. The case elaborates on the primary service offering, oil change and maintenance, that are driven by standard operating procedures. The other aspects of

¹ Note – Chinese refers to Chinese cultural background rather than a particular country.

TEACHING NOTE: DE LAI SCOOTER STORE

the offer are scattered through the case. Customer reactions are shared at the end of the case. The theme of the case is set at the start when the customer Rose asks, “It looks more expensive here I wonder what makes it special?”

CASE AIMS:

The case aims to:

- Indicate the role that service can play in a small business.
- Expose students to the way a small Chinese business runs.

QUESTIONS:

1. What makes you feel this is typical of a Chinese style business?
4. What services products do they offer?
5. How can you describe the service package offered by De Lai?
6. How would you answer Janet’s question? In other words why do customers come back?
7. Are there ways they could improve the operation?

(1) What makes you feel this is typical of a Chinese style business?

The instructor may find it helpful to circulate the Weidenbaum et al article (see below) as a pre-read for this part of the case. However if the class has a large group of Far Eastern students in the class these factors can be teased out of them. To achieve this useful questions include:

“Who owns many businesses in China, Taiwan, Hong Kong, Korea etc.?” “For example, Who owns Evergreen? Who owns Samsung? Who owns MaxWampoa?”

This leads to a focus on family. From which,

“Who manages the money in these family firms? Think of your local noodle shop at home – who would it be there?” This normally quickly elicits the answer ‘the wife’.

From there the roles of other family members are discussed.

- Family ownership
 - The business was started by the father and now the son is a manager of the store.
- Patriarchal
 - While not covered in much detail there is a strong sense of hierarchy leading towards the founding ‘father’.

TEACHING NOTE: DE LAI SCOOTER STORE

- The father has pushed for development and security by opening the second non franchised store and becoming the regional co-ordinator.
- Family participation
 - The rest of the family is very much integrated into the day to day running in different forms. The finances, in particular, are under the wife's control.

Related references:

Weidenbaum, M. (1996). "The Chinese family business enterprise." California management review 38(4): 141-156.

Hofstede, G. and M. H. Bond (1988). "The Confucius connection: from cultural roots to economic growth." Organizational dynamics 16(4): 5-21.

(2) What service products do they offer?

References to their offerings are spread through the case:

- Oil change
- Scooter repair
- Emissions check
- Tow-back
- Insurance
- Basic check (The basic check for brake adjustment and light function. Do not let this one be overlooked – since in many countries this is chargeable)
- Financing for scooter purchase
- Sale and installation of accessories (the 'flashing lights' etc.)
- Sale of new and used scooters
- Scooter disposal
- Sale after-care

(3) How can you describe the service package offered by De Lai.

There are several ways that the instructor may want to approach this. These incorporate, to different degrees, the models of:

- Lovelock – the Flower of Service (see for example, his book: "Service Marketing in Asia")

TEACHING NOTE: DE LAI SCOOTER STORE

- Grönroos – the Augmented Service Model (see his book, Service Management and Marketing)

Lovelock pointed out that many services are composed of a generic set of elements, which he labeled the flower of service. The flower of service is broken into three aspects: the core, facilitating and enhancing elements.

- The core – the main reason for customers using this service
- Facilitating elements (information, order taking, billing, payment) are required to consume the core
- Enhancing elements (consultation, safe keeping, hospitality, exceptions) are not required to consume the core but add value to the offering. These elements are often those where differentiation is found.

It is a deceptively simple model. However if systematically followed through it provides both a *rich and structured* description of a firms service offering.

For advanced groups a session can be designed around both models pre use of the case. The similarities, differences and advantages can be drawn between the Grönroos' augmented service offering and Lovelock's flower of service.

The instructor can help participants see:

- Lovelock's model, whilst deceptively simple, asks a structured series of questions that leads to a very complete description of the service.
- Lovelock's model, if followed very literally, tends to focus on 'what' should be offered e.g., 'what information?', 'what billing information?'

TEACHING NOTE: DE LAI SCOOTER STORE

	Grönroos'	Lovelock	Point of comparison
Basic components	Facilitating service <i>and products</i>	Facilitating services	Grönroos' – point is well made that facilitating goods are often needed (e.g., ATM card, Hotel swipe key) Otherwise very similar
	Supporting services <i>and products</i>	Enhancing services	As above
	Core service	Core product	Essentially the same meaning. For research oriented groups the instructor can touch on this problem of different terms actually meaning the same thing.
	Augmented – Accessibility	Not present but implied?	
	Augmented – Interaction		
Augmented – customer participation			
Main orientation <i>(what question does it help answer?)</i>	How should the service be delivered? How should the service processes be enacted	What should be offered to the customer? What is the main service elements to be offered?	While the separation is not exact the orientation is clear in both models. So, for example, 'Information' from Lovelock's point of view – opening hours, how to instructions etc. Grönroos – interaction with staff may be used to provide 'how to' instructions However other aspects like order taking do not split so clearly.

TEACHING NOTE: DE LAI SCOOTER STORE

- Grönroos model reminds us that service is very much a process and that this needs to be the subject of clear decisions, too, in order to create effective delivery. His strength lies in asking the ‘how’ questions e.g., ‘how should information be provided’, ‘how should billing occur?’.
- As a consequence the integration of the two models provides a structured set of questions to create a well functioning service package.

If the instructor has used the models in a previous session then participants can be divided into groups to describe De Lai from both perspectives.

Alternatively a shorter session involves focusing on the competitive advantage of service. In this case a short presentation is given on the flower of service. Then participants divide into groups for discussion.

Rather than starting with the center of the flower (i.e., the core benefit) students should be encouraged to start with the surrounding eight petals. Depending on the size of class students can either form small groups and discuss on or more ‘petals’ or a couple of larger groups can be formed to present the complete flower.

Facilitating Information	Enhancing Consultation
<ul style="list-style-type: none"> ○ From the web – opening hours, store location, team ○ Maintenance diagnosis (Web) ○ Tow away service ○ Menu for oils ○ COMMENT – some provided through the web, some on the walls of the store, some by staff themselves 	<ul style="list-style-type: none"> ○ Advice on type of oil for scooter ○ Advise on suitable parts ○ Advise on what needs to be changed ○ Advise on suitability of after market parts (e.g., blue lights)
Order taking	Hospitality
<ul style="list-style-type: none"> ○ Staff-customer interaction e.g., for oils (customer chooses their preferred type). ○ More complex for maintenance and repair work, since engineer has to diagnose problem, then agree work (take order) to fix the problem 	<ul style="list-style-type: none"> ○ Chairs to sit on while waiting ○ Tea offered ○ Water machine available ○ Table & seating for discussions ○ News papers & magazines ○ TV (2nd Store) ○ Umbrellas! (note sun) ○ Fans ○ Pick-up service ○ Free loan scooter if job is long

TEACHING NOTE: DE LAI SCOOTER STORE

Billing	Safe keeping
<ul style="list-style-type: none"> ○ Staff tell customer verbally how much ○ Also written on sheet (see end of case) 	<ul style="list-style-type: none"> ○ Covers put on scooter (seat and grips) ○ Store bikes inside at night ○ Scooter onto jack not lain down ○ Store crashed scooter ○ ID / personal information e.g., for getting insurance
Payment	Exceptions
<ul style="list-style-type: none"> ○ Cash ○ Credit card ○ Coupons 	<ul style="list-style-type: none"> ○ If the work is more than expected mechanics check with customer ○ Complaints explain what they did & discount

3a What is the core product / core service offered by De Lai?

The instructor brings the ‘core product / service’ into focus at this stage. Participants are asked: “What is De Lai’s core service product?” In their groups they can be encouraged to discuss this question with the objective of arriving at *a one sentence summary of the core service product*.

At this stage the instructor often needs to remind participants of the benefit concept. A few examples are helpful (e.g., a pen – this usually leads to laughter until participants click – “for making a mark”). This naturally leads to the question, “So what is the customer of De Lai buying?”

The instructor can encourage participants to refer to the last appendix: customer feedback. This gives an indication of what customers like about the store and what draws them back. In other words what they value.

A summary sentence might be:

De Lai offers the best quality products, knowledgeable, friendly and helpful staff who take care of your scooter like it was their own at a fair price.

Or more simply,

Buying complete peace of mind that their scooter will be reliable and safe after being looking after knowledgeable, friendly and helpful staff”

The instructor should aim to get participants to have an ah-ha moment. Customers are not just buying oil for an oil-change but a complete set of benefits.

TEACHING NOTE: DE LAI SCOOTER STORERelated references:

For the flower of service see: Lovelock, C. and J. Wirtz (2006). *Services Marketing*, Prentice Hall (or one of the Service Marketing texts by the same authors).

Grönroos, C. (2000). *Service Management and Marketing: A Customer Relationship Management Approach*. New York, Wiley, John & Sons Incorporated.

5. How could they improve?

There are various ways to improve. The follow factors often come up in discussion.

- Listening to customers – an order form is completed for each customer and that included space for feedback. (See bottom right of form). Pluses – feedback obtained; form is structured for it; high participation. Negatives – unlikely to be real, since customers are rating those who have served them in front of them. Debate can usefully focus on how to desensitize giving feedback (i.e., a generic problem).
- CRM system is powerful since it has customer data. Could it be harnessed more? Hotel parallel – with guest arrival preferences are known at/pre-arrival.
- Pickup / drop off service – this is often mentioned – but what about going the next step to fully mobile servicing?
- E-mail customers when work is due?
- Others?

CLOSING

The case shows:

1. A typical family firm situation. Often this defies much of Western management theory. Accounting functions work in ‘strange’ ways given the role the owner’s wife often plays in managing the finances.
2. Differentiation through service. Customers appreciate the value offered by De Lai, return and are willing to pay a premium. The principle works for small as well as larger firms.

TEACHING NOTE: DE LAI SCOOTER STORE

3. Even in a small business setting there are numerous service products and a multitude of service contacts. Making differentiation possible requires success in all of these.

OTHER ISSUES

Students with some industry knowledge may focus on the 1000 Km oil change. Typically a light or small indicator tells customers when the service is due and they take their machine for an oil change. For most scooters this is set at a 1000km. However estimates range widely about the necessity of frequent oil changes with complex and increasingly sophisticated lubricant products. A quick 'Google' search will show much of this debate.

The oil change frequency drives much of De Lai and other scooter repair shops' business. In De Lai this is approximately NT\$250k (of the NT\$800k maintenance / repair part of their business). The instructor has an opportunity here to raise the issue of interdependencies between manufacturers and their down stream sales / service operations. In this case there is a potential mutual interest to reduce the service intervals: i.e., customers buy Yamaha brand oils and replacement parts and the shop achieves higher revenues through high-frequency visits.

Discussion

Since, even those students who ride, are unlikely to actively think about whether a 1000km is a 'reasonable' distance then discussion can start in a different way. The instructor may ask, "How often do you take your scooter for service?". A follow up question, "So about how many km does this represent between oil changes?" is likely to elicit the number and get a focus on this point.

This mutual interest for manufacturers and suppliers of keeping oil change frequencies high can be discussed. For many groups the realization that this decision is a *business* case rather than a customer focused (customer oriented) decision is a worthwhile ah-ha moment. Discussion could lead towards Zeithaml's idea of credence services. In this case customers' have to trust what they are told by the manufacture about service internals. This asymmetry of knowledge is typical of a credence service situation.