

owners have developed a network of other service providers who assist in recycling used parts and waste products and to whom they can refer clients for work that is not part of Village Volvo's services (e.g., body work, alignments, and reupholstering). The owners also are considering the possibility of offering a minicourse one Saturday morning each month to teach clients what they can do to attain their 200,000-mile Volvo medals.

Questions

1. Describe Village Volvo's service package.
2. How are the distinctive characteristics of a service firm illustrated by Village Volvo?
3. How could Village Volvo manage its back office (i.e., repair operations) like a factory?
4. How can Village Volvo differentiate itself from Volvo dealers?

Xpresso Lube⁶

CASE 1.2

Charlie Green, owner of Xpresso Lube, is not your typical car repairman. A man of many talents, Charlie gained valuable knowledge of the oil-change business while working in the Special Mixtures Division of Goodyear. Charlie also learned from his father and brother while working on cars when he was growing up and later supplemented this knowledge by taking formal automotive courses. All similarities between Charlie and his fellow mechanics end there, however. Charlie also is a professional musician. He plays an upright bass and sings and owns a coffee plantation in Costa Rica.

When it's time to get your oil changed, you have only two choices—change it yourself or pay someone else (e.g., dealership, independent auto mechanic, or a quick oil-lube station) to do it for you. Many people choose quick oil-change stations because it is easier than doing it themselves and it is usually quicker and cheaper than going to a dealer or an independent mechanic.

Folks just want to get in and out as fast and economically as possible. Most companies that provide oil-change service are indistinguishable. They charge about the same price and are found on almost every major street. Most people pick one that is close to home and that has a short waiting line. The challenge faced by the quick-change services is to manage demand. Most customers want service during the lunch hour, after work, or on Saturdays. An oil-change business, therefore, wants to move customers in and out as quickly as possible. Speed of service is the way they try to differentiate themselves from their competitors.

Charlie remembers the last time he paid to have his car's oil changed. He was in the waiting room with several other customers when a lube technician came in to discuss a problem with an elderly lady. "Ma'am, you see this?" The technician held a PCV valve in his hand and shook it, producing a rattle. "You hear that? That's trouble. We're gonna have to replace this PCV valve." The woman looked puzzled, but she agreed with the mechanic. Unfortunately, she didn't know that the PCV in any car is *supposed* to rattle. This event dismayed Charlie. He believed that customers deserved good service and honesty, and he was tired of seeing people get "ripped off." He decided to do something about this problem by opening his own business, Xpresso Lube, which would specialize in oil changes.

No one likes to wait a long time to have his or her oil changed, especially because the facilities usually are not very pleasant. The waiting rooms are small, dirty, and furnished with uncomfortable chairs. If a television set is available, it has a small screen and reception is poor. Any magazines are

probably car-related and months old. If there is coffee to drink, it has been sitting in an old pot since early that morning!

Charlie designed the environment for his business to be different from that of the traditional oil-change station. He chose not to compete with the other oil-change companies head to head, but instead changed "the game." When he converted an old gas/service station into Xpresso Lube, people told him that it would never work. They said he had too much waiting area and the stalls had lifts instead of the usual pits—so it would take too long to change a car's oil. Charlie used these unusual features to his advantage.

During the development phase of his business, Charlie noticed two things about the local and national economies—both the espresso bar and oil-change markets were saturated. Consumers viewed these services as commodities and based their purchase decision on price. Charlie considered that factor and the unappealing environment of existing oil-change facilities—and, in a moment of entrepreneurial revelation, decided to combine the coffee bar craze with an oil-change business.

Xpresso Lube was started with the purpose of providing a unique, pleasant, and honest experience. Charlie had thorough knowledge of both the coffee and oil-change business, so the merger of these two experiences came naturally to him. In fact, when Xpresso Lube first opened, he also drew on his musician roots and brought in bands to play in the evenings. As Xpresso Lube's success grew, Charlie had to phase out the live music because he was too busy with the other aspects of the business.

Charlie never forgot the experience of seeing others get treated dishonestly. Today, the majority of his customers are women, who frequently have been the victims of dishonest repairmen, and college students. "Little old ladies love me," Charlie says, "because we have earned their trust."

The large waiting area was transformed into a coffee bar with a number of amenities to make his customers' waits very enjoyable. He offered a variety of coffees and an atmosphere that doesn't make the customers feel as if they are in a waiting room. In fact, some customers come in just for the coffee. The floors are carpeted and there are numerous tables and chairs. An outside area is covered for use when the weather is pleasant. A stereo system provides music and the reading material is current and appealing to different interests.

Because of the atmosphere he has created, Charlie does not have to compete on speed, which allows Xpresso Lube to use lifts and only two stalls. Furthermore, using lifts gives employees an opportunity to show the customer when something is wrong with his or her car. The customer can go under

the car with the technician and actually see the problem. Other oil-change stations do not have this luxury—they cannot allow their customers to go down into the pit to look at their cars. Pits are dirty and unsafe places for any customer. Consequently, a customer must take the employee's advice about extra work that needs to be done—and hope he or she is not being ripped off.

When a customer does not want to wait, Xpresso Lube provides transportation to and from work. This service helps smooth demand during the weekday afternoons, so customers will not all come after 5 PM during the week or on Saturdays. The transport service is provided by the automotive service center right behind Xpresso Lube, which is also owned by Charlie. University Automotive was the precursor to Xpresso Lube, which Charlie opened in 1984. University Auto provides car repair services for many makes and models of cars. A gas station was located in a lot adjacent to University Auto; when the station went out of business in the early nineties, Charlie bought the property and opened Xpresso Lube on the site in 1996. Xpresso Lube now provides 30 percent of the revenues for the joint businesses.

Austin is home to the University of Texas, a thriving high tech business community, and arguably the nation's best live music. All of these factors give Austin a very diverse population. Xpresso Lube's location on a main street near the university attracts a broad spectrum of customers, but also it means customers can walk to many local shops while their cars are being serviced. Half-Price Bookstore, Wheatsville Coop food store, Amy's Ice Cream, and Toy Joy are all within easy walking distance. The business provides a great deal of fulfillment for Charlie. "I love coming to work because every day brings new and different customers into our shop."

Questions

1. Describe Xpresso Lube's service package.
2. How are the distinctive characteristics of a service operation illustrated by Xpresso Lube?
3. What elements of Xpresso Lube's location contribute to its success?
4. Given the example of Xpresso Lube, what other services could be combined to "add value" for the customer?

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