

15.760: Alaska Air

- 1. Admin/Intro: PeaPod, Webvan**
- 2. What are important characteristics of services vs. manufactured products?**
- 3. In what sense must AA concurrently develop product & process?**
- 4. What are the key operations tasks that AA must accomplish?**
- 5. Can “self-service through technology” provide a “sustainable competitive advantage” for AA?**
- 6. Why use hubs?**

15.760: WEBVAN ASSIGNMENT

Take the position of a consultant to Webvan. Write a memo to the CEO of Webvan, providing him with your assessment of the Webvan operations model and business model -- *based solely on the information available in the case*. Include in your assessment some analysis of the value proposition to customers as well as the value proposition to investors. (I.e., how profitable will Webvan likely be?) (Max length: 1500 words & six supporting exhibits.)

We all know that Webvan went broke. Feel free to take the position either that the business could make money (and provide the assumptions and/or analysis and/or creative ideas that support your position) or that the business is hopeless. If you take the latter position, you still need to back up your assessment with an analysis of why you concluded what you did. (I.e., what *specifically* are the flaws in the business model or operations assumptions?)

Some Characteristics of Services (vs. Manufacturing)

- **Intangibility** - explicit and implicit intangibles
 - “We manufacture perfume; we sell hope.”
 - **Mgmt Issues: Expectations & Perceptions**
- **Perishability** - an hour of non-production is an hour lost
 - **Airplane w/o spare part costs > \$10K/hr**
 - **Mgmt Issues: Prevention Processes & Mentality**
- **Heterogeneity** - inherent variability of service & customer
 - **Each doctor’s bedside care is unique, as is each patient**
 - **Mgmt Issues: Hiring, Training, Listening, Customization**
- **Simultaneity** - services simultaneously produced & consumed
 - **A poor attitude by the server cannot be recalled**
 - **Mgmt Issues: Hiring, Training, Situation Control**

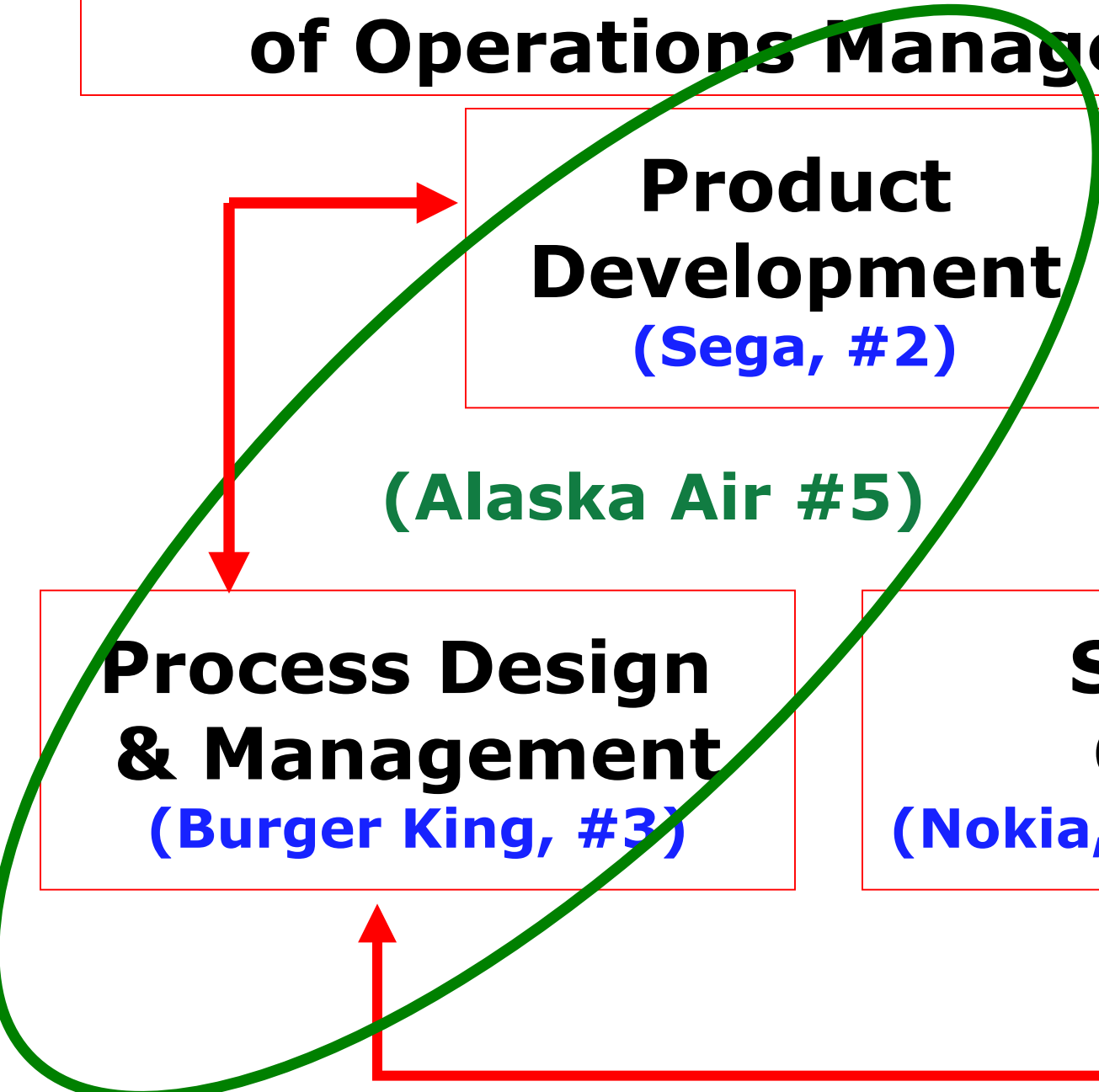
Three Foundational Components of Operations Management

Product Development
(Sega, #2)

(Alaska Air #5)

Process Design & Management
(Burger King, #3)

Supply Chain
(Nokia, #1, Dell, #4)



Three Foundational Components of Operations Management

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AA Product Features

- check-in time
- reservations help
- meals
- price
- flight frequency
- mileage awards
- route coverage
- baggage handling
- customer coddling

Dell Product Features

- μ P & modem speed
- CD ROM speed
- MB DRAM & HD
- screen size
- order-to-deliv time
- features range
- fulfillment accuracy

Delivery in
Dell, #4)

Operations Tasks for Alaska Airlines

1. DESIGN

- A. Product Features (See Above; Contrast with Southwest)
- B. Fleet Configuration
- C. Reservations System
- D. Human Resources System (Care of Employees; Esprit de Corp)

2. PLANNING

- A. System schedule;
- B. Hiring/Training of Pilots, Flight Attendants, Ground Crew
- C. Workforce scheduling, Aircraft scheduling & maintenance
- D. Pricing, Marketing, Promotions (Competitor Actions)

3. CONTROL

- A. Reservations, Check-in, & Flight processes
- B. Responses to unplanned events: weather, breakdowns, etc.
- C. Processing Customer Complaints

4. IMPROVEMENT

- A. Operations Costs; Capacity Utilization (Role of Technology)
- B. Customer Experience (Role of Technology)
- C. Reputation & Brand

Technology Strategy at Alaska Airlines

Hypothesis: “Self-service through technology”
provides “sustainable competitive advantage.”

*****Eliminate, Simplify Automate*****

1. Culture of Innovation (among tech leadership)
2. IMAGE system
 - customer service, employee satisfaction,
 - flexibility with laptops, missed opportunity?
3. On-line booking, e-tickets, kiosks, redeem miles
 - Reduce costs and Improve Customer Satisfac.
4. Navigation and Guidance Systems

Is this profitable? Sustainable?

Why use hubs (e.g., Seattle)?

