Service Guarantees

A summary of relevant literature
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Outline of the Lecture

- Characteristics
- Attitudes
- What a guarantee does
- Higher benefits
A good service guarantee is:

- Unconditional
- Meaningful
- Easy to understand and communicate
- Easy and painless to invoke
- Easy and quick to collect
- Credible
Attitudes

• Negative
  ➢ “How do I minimize warranty costs while maximizing marketing punch?”

• Positive
  ➢ “The guarantee is the single most reliable way to identify operational areas needing improvement; Guarantees not acted upon are data not collected.”
  ➢ Money spent on the guarantees is an investment in customer satisfaction and loyalty.”

Source: D. Hart
What a guarantee does

- Service guarantee forces an organization to explicitly define its customers needs
- A service guarantee forces an organization to understand all the elements of its service-delivery process
- A service guarantee forces an organization to determine the root causes of its operational problems
- A service guarantee forces a sense of urgency on an organization
- A service guarantee forces an examination of vendor quality
Higher benefits

The benefit of a service guarantee is higher when:

- The price of the service is high
- The customer ego is on the line
- The level of the customer expertise with the service is low
- The negative consequences of service failure are high
- Customer’s image of service quality in the industry is low
- The company depends on a high rate of customer repurchase