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Service Guarantees

*A summary of relevant literature
compiled by Gabriel R. Bitran*

Outline of the Lecture

- Characteristics
- Attitudes
- What a guarantee does
- Higher benefits



Characteristics

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.”



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

