The Role of Service Guarantees in Managing Services
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Sara Björlin Lidén
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Dissertation

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ABSTRACT

A service guarantee is a statement that clarifies what the customers can expect from a service, and what the company will do to rectify the situation if the service does not meet expectations. The guarantee have been claimed to have a number of influences on how services are managed as the guarantee clearly states the level at which the service should be delivered, and indicates the costs of failing to do so. Some of these influences include learning from service failures, setting standards for service delivery for both employees and customers, serving as a competitive advantage, and increasing satisfaction and retention of customers. Despite a growing interest from service organizations, research on service guarantees has been surprisingly scarce. Therefore, the aim of this dissertation is to provide a wider understanding of the roles of service guarantees in managing services.

The dissertation consists of five separate studies, all based on data gathered from actual customers’ and employees’ encounters with service guarantees that have been in use for several years. The results are unique, as previous research has almost exclusively addressed the pre-purchase effects of the service guarantee and has failed to address the impact of the service guarantee after it has been used. The methods used to gather and analyze the data include mystery shopping observations of how employees utilize the guarantee, focus group interviews with customers addressing their expectations of a guarantee, and a postal survey of customers’ experiences after invoking the guarantee.

Three main aspects of this dissertation have contributed to the understanding of service guarantees in managing services. First, post-use implications of service guarantees “in action” have been presented which is something that has been overlooked in previous research. Second, the service guarantee sends its strongest marketing signal once the failure has occurred because customers fail to notice the guarantee unless there is an obvious need for it. This strongly questions the value of previous research that assumes that customers are aware of the guarantee and measure its influence based on that awareness. Third, the recovery paradox was confirmed which indicates that customers are more satisfied after using the guarantee than had they not experienced a failure at all. It substantiated that a failure that is handled well, can indeed be turned into a success.

Key words:  Service Guarantee, Service Recovery, Service Development, Service Management, Mystery Shopping, Focus Group Interview, Public Transport
Writing a dissertation is like going for a long run; it’s all about being persistent. Somehow the down-hills seem so much shorter than the up-hills, but the satisfaction after completing it makes it well worth the challenge! When I strayed from the track, my tutors Professor Bo Edvardsson, Dr. Per Echeverri, and Dr. Margareta Friman helped me to find my way. Bo is not a stranger to actually tutoring over the cell phone while jogging, and has provided matter-of-fact advice during the final stages of the dissertation. A special word of appreciation goes to Professor Tore Strandvik, whose insightful tutoring in the last year allowed me to see my research in a new light and with new confidence.

Two sources of inspiration have influenced my persistence: the rewards of conducting exciting empirical studies, and the people who made “life outside the dissertation” great. The studies were mainly conducted at Storstockholms Lokaltrafik (SL), where Bo Tengblad and Åke Lindström allowed me to take part in the every-day workings of the organization. This opportunity gave me an understanding of public transport in general and the service guarantee in particular, in a way that would not have been possible without their support. A truly great experience! My gratitude also extends to Vinnova who, together with SL, financially made this dissertation possible.

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Finally, I would like to conclude by saying that I’m very glad that I finished this dissertation. Not just because it feels great to have won the race against myself, but also because the completion of this dissertation brought me back to Karlstad where I met Alex, a constant source of fun and support. You make me truly happy and I feel like a double “first-prize” winner!

Karlstad, November 23, 2004

*Sara Björlin Lidén*
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INTRODUCTION

Service guarantees are becoming an increasingly integral part of the offering of modern-day service companies. The explanation can be found in new challenges in the service economy faced by companies that at one time produced “products”; they find that managing services puts different demands on the company. Businesses may discover that they cannot prepare for fluctuations in demand as services are difficult to store. They may also discover that customers cannot evaluate beforehand the quality of a service that is an experience or activity. These industries may consider adding a service guarantee to its offering because the essence of a service guarantee handles several of the difficulties in managing services. A service guarantee transforms an intangible service into a measurable expectation for the customer before receiving the service (Wagner, 1994). As a result, a company that is challenged by the demands of services marketing may find that the guarantee is a bridge between the tangible and intangible aspects of an offering. Most companies use service guarantees to improve customer satisfaction and attract new customers (Sasser et al., 1991). Positive effects are anticipated in marketing, retention, and service quality, i.e., in several aspects of the service production process. With the aim of contributing to a wider understanding of service guarantees, this dissertation will address its role in managing services.

The dissertation is structured as follows: to begin with, previous research on service guarantees is presented. The guarantee has often been secluded and studied in isolation, and a need to view the guarantee in its entirety was identified. Therefore the most widely referred model in service research has been selected to discuss the service guarantee from a service management perspective. After a summary of the empirical studies, their contributions are discussed. As a conclusion, suggestions for future research are presented.

Research on Service Guarantees

In the late 1980's, the concept of service guarantees began to appear in popular science magazines and newspapers, foremost in normative articles. Lately the subject has rendered more attention in the most distinguished
journals, and increasing numbers of scholarly articles on service guarantees have been published. A literature review forms the basis for this section, and a number of aspects regarding service guarantees have been selected to demonstrate the present state of service guarantees, before the addition of my research. To begin with, the definitions of the concept of service guarantee used in previous research are presented. The definitions are manifold and at times vague, and this has an impact on how the research has been carried out and on which theories the research leans. The theoretical points of departure are presented next. As there is a lack of a unifying definition of what a service guarantee is, many articles instead state the results that could be obtained through the use of a service guarantee, or the issues that it could manage. This section of the dissertation concludes with an exploratory description of previous research’s suggestions about the roles that service guarantees may have.

**Definitions**

In the papers directly addressing service guarantees, there are surprisingly few that define a service guarantee. The lack of definitions could indicate that there is a clear consensus about what a service guarantee is, but a review will reveal that this is not the case with service guarantees; the implications of “service guaranteed” are incoherent. The definitions can be divided into three groups. First, some researchers identify the focal point of the guarantee to be the actions it provides to restore customer satisfaction after a service failure. In the earlier phase of guarantee research, close links were drawn to warranty-literature, where it was stated that “warranties work by guarding the consumer against the likelihood of suffering a loss, and by reducing the severity of the loss suffered if the product fails or does not perform as expected” (Erevelles, 1993:173). Many of the definitions of service guarantees follow Erevelles’ statements such as, “since a service guarantee can be thought of as a promissory note ensuring customers of a specific action in the event of future service failure, it is in effect a prospective or pre-emptive recovery from service failure” (Taylor and Cole, 1999:87). Similarly, Hays et al., (2000:264) argue that “the guarantee also provides a predefined method of recovering customers when the service does not meet

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1 Continuous searches since 1999 in databases (ISI, Ebsco, Emerald, ScienceDirect), search-engines (Google), and reference lists generated a number of articles and books with the primary focus on service guarantees. The last search was conducted in September of 2004.
the standard”. Donath (1997:87) concurs that to guarantee a service is “to make a commitment to compensate their customers in the absence of customer satisfaction with their services”. Whereas Hays et al., (2000) focus on the entire recovery process, which usually includes empathetic behavior and a resolution to solve the problem before any refunds are given; Donath (1997) emphasizes the fact that a guarantee offers compensation to the customer, not correction of the problem.

Second, other researchers state that a “service guarantee transforms intangible products into a measurable expectation before use” (Levy, 1999:214, from Wagner, 1994), or that it is “a selling policy assuring that no consumer would be worse off after purchase” (Fruchter and Gerstner 1999:314). Also Zeithaml and Bitner (2000) focus on the post-purchase aspects of guarantees, stating that service guarantees are formal promises made to customers about the service they will receive. These definitions associate the guarantee, foremost, with marketing as a tool that influences customers before purchase or in the selection between two service providers. It should therefore be acknowledged that a service guarantee may have effects even if a service failure has not occurred, or before the service has been purchased.

Third, others combine the two aspects, and state that a service guarantee clarifies what the customer can expect of the service and that it is a reactive measure after a failure. One of the most recurring definitions is that “a guarantee is simply a statement explaining the service customers can expect (the promise) and what the company will do if it fails to deliver” (the payout) (Hart et al., 1992:20). Although total customer satisfaction is often mentioned as the overall aim with a service guarantee, it is only mentioned in two instances as an aspect that defines a service guarantee. In an article that almost replicates the arguments of Christopher Hart´s award winning article from Harvard Business Review and sparked scholars’ interest in the concept in 1988, Ettorre (1994:18) states that a service guarantee implies that “if any of what we have promised fails to measure up, we will do whatever it takes to satisfy you the customer, no questions asked.” Hart considers full customer satisfaction to be the focal point of the service guarantee when guarantees are issued between departments in an organization. He then argues that a guarantee is a promise to “deliver its products or services in a specified way and to the complete satisfaction of the internal customer or incur a meaningful penalty, monetary or otherwise” (Hart, 1995:64)
When considering the definitions jointly, a pattern of the complex phenomenon of service guarantees begins to materialize. All of the definitions are accurate to a point. However, to define service guarantees solely as a recovery measure would diminish its scope, as a service guarantee may have effect both before the service is purchased and if the customer is satisfied. Neither are service guarantees equivalent with complaint management. The difference is that the service guarantee has additional uses other than service recovery and complaint management. Michel (2002) states that in order for a company to start managing complaints, a factual complaint must have been filed by the customer. This does not have to be the case with service recovery, which Michel views as the company’s response to a service failure before the customer has filed a complaint. In essence, a complaint is what the company wants to avoid with a service recovery. Similarly, a service recovery implies that a service failure has occurred, but the service guarantee does not only come into use after a failure. A service guarantee is a concept applied to avoid customer dissatisfaction, and to visualize and secure service recovery in case a service failure occurs.

In summary, a definition brings clarity to the contents and meaning of a concept. The fact that the ‘true’ meanings of “service guaranteed” have not been properly defined is contributing to the confusion, and making comparisons between studies difficult. The lack of proper definitions can also explain the many different approaches to guarantees that are taken in current research. These approaches will be discussed in the next sections.

**Theoretical Points of Departure**

Most articles up until the late 1990’s provided normative descriptions of how companies can benefit from using service guarantees. These studies are most often based on anecdotes or second hand information, and details of empirical studies are not displayed. It can not be ruled out that the results are the consequence of actions taken by the company other than the guarantee. The next “generation” of guarantee articles, however, concentrates on substantiating the previous suggestions, foremost using an experimental research design with student groups. The knowledge that has begun to accumulate about service guarantees is therefore founded on sound, but one-sided, research.
A common discussion of those articles relates to the design of service guarantees and whether they should be unconditional (the customer can invoke the guarantee for any reason, the company does not limit the guarantee by connecting it to a certain aspect of the service) or specific (part of the service or its performance is related to the guarantee with limitations on its validity). In experiments, the following aspects of the guarantee are secluded and manipulated: should the coverage be connected to a specific attribute or be unconditional (McDougall et al., 1998; Wirtz and Kum, 2001), what is the effect of service guarantees on customer evaluations of a service before purchase (Tucci and Talaga, 1997; Ostrom and Iacobucci, 1998), and are compensation and prior beliefs about a service influenced by a service guarantee (Marmorstein et al., 2001).

The fact that service guarantees have been incoherently defined suggests that there is neither a common concept, nor a common understanding of its roles. Thus, the research on service guarantees covers many operations and disciplines and it has also allowed for the application of diverse theoretical perspectives. When analyzing the articles, approximately half of them base their reasoning or studies on theory. The aim of this section is to illustrate the scattered theoretical perspectives that have been used within guarantee research, and how the findings have been identified. Kashyap (2001) separates the guarantee’s external influences on the customer from its internal influences on the company and its employees. This categorization has the advantage of showing that there are effects both on external and internal markets, but it neglects the fact that co-production of services makes the internal aspects difficult to separate from the external, or the customer perspective. Instead, three points of departure can be identified from the many theoretical approaches: the effects of the guarantee on customers before service purchase, the effects of the guarantee on actual service design and production, and the effects of the guarantee on service recovery.

The first point of departure relates to the effects of the guarantee on customers before service purchase, and covers most research on service guarantees. Perceived risk, intrinsic and extrinsic cues (often price and quality level), signals, and/or trust in the service provider are manipulated together with a guarantee to identify how the evaluation of a service offering is influenced by the presence of service guarantees in different settings (Erevelles, 1993; Tucci and Talaga, 1997; McDougall et al.,
The effect of the guarantee depends on the type of guarantee offered and the situation. For example, customers preferred a specific guarantee when it came to invoking a service guarantee, but they preferred the unconditional guarantee when it came to selecting one firm over another (McDougall et al., 1998). A combination of the two was perceived as more valuable than both the unconditional and the attribute specific guarantee (Wirtz and Kum, 2001). The effects are a higher perceived value (relates to adequacy of coverage offered), lower perceived risk (relates to the uncertainty of a service purchase), and lower perceived likelihood of failure (relates to the customers assessment of the reliability of the service) (Wirtz and Kum, 2001). Too large or undefined a payout may prevent the customer from invoking the guarantee altogether (McDougall et al., 1998).

Whether or not the service guarantee affects customers seems to depend on the presence/absence of a few extrinsic cues. Marmorstein et al., (2001) found that the effectiveness of the service guarantee depends on the recipient’s opinion of the source of the message and the message itself. Ostrom and Iacobucci (1998) identify that when no specific information is available about a brand or service firm, the guarantee leads to more positive evaluations, especially when the variance of service quality is high in the industry. Most important, however, is one of the earliest studies on the subject. Erevelles (1993) found a lack of causal relationships between guarantee perceptions and product attitudes, indicating that in the absence of risk consumers view guarantees foremost as a backup in the event of failure, not as an influence on their purchase intention. This line of reasoning is supported by Tucci and Talaga (1997), who found that customers who purchased services that are considered to be “in between” high and low quality, judged the service guarantee to demonstrate a satisfying experience. Neither high priced, nor low priced restaurants were considered a great risk, and in these situations the guarantee was of no use (Tucci and Talaga, 1997).

The second point of departure relates to the effects of the guarantee on actual service design, guarantee design, and service production. Hays et al., (2000), Hill et al., (2000), and Wirtz (1998) relate to TQM, Empowerment, and Organizational Reengineering when describing internal effects of a service guarantee. These articles, contrary to most papers regarding service design and production, are based data of gathered
specifically for the study and the authors use theories to interpret the results of their studies. For example, Hays et al., (2000) argue that a service guarantee is a means to accelerate service quality improvement which is based on a study conducted before and after the introduction of a service guarantee at a hotel chain. The authors identified significant increases in two aspects after the guarantee had been introduced: employee motivation and vision, and learning from service failure. Hill et al., (2000) suggest a model for optimal delivery-time guarantees. They warn that if a company can not hold their guarantee promise they will pay significant compensation, and may then loose market share over time. If the guarantee promise is too insignificant, however, customers will not be attracted by the service and shop where the guarantee is better. Although their argument confirms what could be considered as established, it substantiates the fact that the design of the guarantee is a question that deserves careful consideration.

The third point of departure focuses on the effects of the guarantee on service recovery. It uses theories on Service Recovery or Market Orientation (Marmorstein et al., 2001), Social justice and Attribution theory (Taylor and Cole, 1999), and the generic model of unethical behavior (Wirtz and Kum, 2004) to understand the effects of the guarantee. Marmorstein et al., (2001) identify that when customers have experienced a failure and later on encounter the service provider, they will do so with doubt. The authors examine the persuasive power of the service guarantee, and identify that the credibility of the source is important if the customer is to be convinced that the service has improved. Service Process Evidence (SPE) will then increase consumers’ willingness to try a provider, and compensation is more persuasive when SPE is specified in the guarantee. The benefit of jointly presenting SPE and high compensation can help consumers overcome prior unsatisfactory experiences and once again become customers (Marmorstein et al., 2001).

In summary, the three points of departure build on a large number of theoretical perspectives. The ones mentioned in this section are used in over half of the articles, and the remaining articles do not build on theoretical reasoning. As a whole, research of service guarantees has been lacking in both methodological and theoretical foundation. The latter is, however, understandable as service guarantees are a relatively new research area.
**Suggested Roles of the Guarantee**

Instead of giving a proper definition of the concept, a number of articles describe the practical uses of service guarantees. As with the definitions and theoretical points of departure, these uses differ greatly. They are, however, all suggested to improve the performance in a way that will lead to a better service and eventually influence customer perceived quality and satisfaction. After a review of the articles, a pattern evolves regarding the roles that a guarantee may have in managing services.

To begin with, one role of the guarantee is its ability to force the company to focus on *customer needs*. The guarantee is suggested to bring a customer focus by presenting incentives that motivate the customer to complain about service failures, and hence identify areas where service improvements are needed. Wirtz (1998) maintains that a guarantee forces the organization to focus on customer needs and eliminate fail points. These aspects are related to the heterogeneity of the service, which makes examination of the service process after use difficult. Therefore, repeat examination of customers’ service experiences can aid in identifying if a failure has appeared, and receiving customer input for service improvements. Levy (1999) describes why the service guarantee helps the company to achieve this - he identifies that customers are the company’s front-line intelligence, and provide different information than a survey. Also Kandampully and Butler (2001) state that customers’ willingness to communicate failures to the company, as well as improve intentions to repurchase, are major constructs of the service guarantee.

Another role of the guarantee is related to how a failure to fulfill conditions of an undertaken promise will ensure a focus on *quality improvements*. A failure is presented as causing two types of serious damage: the dissatisfaction of customers and the cost of compensation (Donath, 1997). The penalizing effects are the backbone of the service guarantee, as it will impact cost and benefit for the company (McDougall et al., 1998). McCollough and Gremler (2004), for example, assert that most companies implement service guarantees to improve the quality of the service being delivered, as the company has to focus on service quality improvements or go bankrupt. Similarly, Hart (1988) maintains that guarantees are self-fulfilling; they promise quality and produce it.
Yet another role is related to the difficulty of controlling the service production process, which the guarantee is argued to do by setting standards for service production for both customers and personnel. The fact that a service often requires co-operation between customers and front-line employees leaves the company limited control of the actual service production. By stating clear service standards in a service guarantee, the company hopes to clarify the standards for service delivery and recapture the control of the production process (Tax and Brown, 1998). Internally, the guarantee is used foremost to give all employees a clear job description, and authority (Firnstahl, 1989). It creates teamwork between the different divisions of the organization, and stimulates dialogue and feedback about the progress, problems, and processes. Employees are rewarded, not punished, for discovering problems (Hart, 1995). Hays et al., (2000) maintain that a service guarantee can increase employee motivation and vision, as well as organizational learning.

The effect that service guarantees have in marketing has been the most researched and advocated. The fact that service quality is a perceived quality, often because of the intangibility of the service (Kaspar et al., 1999), may be handled through the use of service guarantees; it establishes correct customer expectations, thereby preventing dissatisfaction after consumption (Hart et al., 1992; Ostrom and Iacobucci, 1998). Ostrom and Hart (2000:301) argue that “as the nature of the promise shifts from a warranty against product failure to a guarantee emphasizing customer satisfaction, the impact of such a promise on customer perceptions should be even greater”. The guarantee is believed to lessen the customer’s perceived risk, partly by providing a compensation in case of service failures, but foremost by signaling service quality before the purchase in accordance with signal theory (Boulding and Kirmani, 1993). The statement aim to differentiate the company from its competitors (Hart et al., 1992; Hill et al., 2000), but also to communicate to customers about the relationship the company has or wants to have (Taylor, 1999). Marmorstein et al., (2001) argue that customers who have experienced a service failure hesitate to buy from that service provider again. In such instances, service guarantees can signal to customers that service improvements, reorganizations, and quality programs have improved service quality, and can convince them to overcome a reluctance to return to a company whose service has failed.
Finally, the service guarantee is suggested to have a role in *service recovery*. The perishable nature of the service will, for example, limit the possibility of preparing for fluctuations in demand or avoiding service failures. The outcome may therefore vary. With a service guarantee, companies try to respond to this fact by guaranteeing an outcome state (satisfaction) instead of an outcome result (Hart, 1998). With a guarantee, the company acknowledges that it has, and takes responsibility for, service failures and aims to restore customer satisfaction and customer loyalty (Hays et al., 2000). For example, special treatment and reimbursement promised by a guarantee is used to recover the customer (Sasser et al., 1991; Wirtz and Kum, 2004). According to Erevelles (1993), it is foremost this role that customers associate with guarantees. They see guarantees as a backup in the event of failure, not as an influence on their purchase intention.

**Summary and Conclusion**

From a review of the theoretical points of departure that have been used in previous studies, three themes of the guarantee’s effect could be identified: before service purchase, actual service design and production, and service recovery. Several of those studies are well-conducted, but their foundation is on unstable ground; the area of service guarantees has not yet been comprehensively researched empirically. In conducting experiments that seclude aspects of the guarantee that could be important, previous research may contribute to the confusion that already exists as a result of the unclear definitions. Before the different themes are further analyzed with theoretical explanations, a wider and deeper understanding of the phenomenon in real service contexts, with real guarantees, and real customers should be achieved. Another problem related to the studies that have been conducted, is the need to view the guarantee not only in its service context, but also from a larger perspective where the roles can be understood as a whole. For example, five different roles were identified, and each presumably has an influence on the customer perceived quality. These roles often overlap; service recovery is a prerequisite for identifying customer needs, influencing quality improvements, and service production. How these roles influence each other, and thereby the overall impact of a guarantee on customer perceived quality, can easily be overlooked if the guarantee is isolated. Therefore, to isolate the guarantee and not view it in a greater perspective would limit the possibilities for a wider understanding of service guarantees.
THE SERVICE GUARANTEE FROM A SERVICE MANAGEMENT PERSPECTIVE

The service guarantee has been identified as having a number of separate roles in a company’s operations. These roles bear a close resemblance to the processes identified in the gaps model that identify processes which influence service excellence and customer perceived quality. The model will provide the structure for this section while viewing the guarantee concept in its entirety from a service management perspective. Based on an analysis of the findings of previous studies, this section will discuss the role of the guarantee in relation to each process that influence perceived quality, as well as identify research needs of contemporary service guarantee research. A few of these research needs will then be further addressed in the next section, as they form the basis for the studies of this dissertation.

The point of departure for the gaps model (see figure 2.1) is that the customer determine the quality of a service based on the expectations that he or she brings into the service experience, as well as on perceptions of the service once it has been consumed (Parasuraman et al., 1985). The difference between expected service and perceived service results in customer perceived quality. This will help provide an understanding of the five roles of the service guarantee; each of them is argued to influence overall customer perceived quality. Several of them, however, are linked to each other and the guarantee should be viewed in its entirety from a greater perspective, if an understanding of the concept is to be attained. In the model, “strategies and processes that firms can employ to drive service excellence” are identified (Zeithaml and Bitner, 2000:27), and the failure to influence these processes will result in a “gap” between what customers expected and what they perceived to receive, i.e., negative perceived quality. It is in the management of these processes that the service guarantees roles may be of use.

Briefly, the gaps model (see figure 1) can be summarized as follows: to close the gaps, the company must identify what customers expect (gap 1), then the organization has to design the service accordingly (gap 2), and assure that the service is delivered as it was designed (gap 3). At the same time, they must communicate to customers precisely what the service contains (gap 4). When this is done, the company has done what it can to design, deliver, and communicate the service to customers, and thereby increase the chance that customer expectations of the service and their experience of it match (gap 5).
This model will aid in describing the roles of the service guarantee that were identified in previous research. In the following section, the implications of past empirical studies conducted on service guarantees will be discussed, in order to identify what has been empirically substantiated and the research needs that remain.

**Identifying Expectations**

To understand what the customer expects is a prerequisite in satisfying the customer Parasuraman et al., (1985). A management that is unaware of a customer’s true expectations may make false decisions and set standards for service delivery that are incompatible with customer expectations. The findings of previous research on service guarantees were analyzed with the following two aspects in mind; the needs to deploy continuous marketing research, and the importance of keeping the customers whose expectations can be most easily understood. A pre-planned service recovery program that prevents dissatisfied customers from defect is therefore considered important to identify customer expectations and lessen the first gap.
Service guarantees have been suggested, normatively, to have great impact on service recovery, but there is a need for research since there are no studies on post-invocation effects on customers. Also the guarantees suggested influence on providing the company with a steady flow of customer input has been normatively argued. To identify customer expectations through the use of a service guarantee has one condition – the customer must invoke the guarantee. According to Tax and Brown (1998), customers fail to take that step for the following reasons: they believe the organization will not be responsive, they do not wish to confront the individual responsible for the failure, they are uncertain about their rights and the firm’s obligation, or they are concerned about the high cost in time and effort of complaining. Previous research has identified how the guarantee influences the customer to overcome these difficulties.

To begin with, service guarantees with clear conditions have been found to positively influence the customers’ intent to complain. Up until recently, however, it was believed that a guarantee should have as few conditions as possible, as fewer restrictions are believed to positively influence customers’ willingness to complain. The base for this was that an unconditional guarantee would allow customers to complain for any reason (Hart, 1988; Hart et al., 1992; Maher, 1992; Etorre, 1994). The contrary has however been identified by McDougall et al., (1998) in an experiment where respondents were asked to fill in a questionnaire where they evaluated firms based on the type of guarantee offered. The authors compared guarantees on a number of dimensions, including conditions that specify the guarantees validity. The results indicate that when customers focused on aspects of the guarantee that related to them invoking the guarantee, the specific guarantee was preferred over the unconditional. In a more recent study Wirtz and Kum (2001) explored the subject further. Based on the results of two experiments, they proposed a guarantee which combines the wide scope of satisfaction from the unconditional guarantee with the specific performance standards of the attribute-specific guarantee (i.e., the customer has the right to complain about anything, but the company specifies a number of service qualities against which the customer can evaluate the performance, such as “you can expect us to deliver within 10 minutes”). This type of guarantee was perceived as significantly more valuable than other designs as it clarified for customers when a complaint is justified.
It has also been suggested that the guarantee may help in identifying the most important customer expectations. Two opposing arguments are revealed. First, customers who complain have experienced what they perceive to be a serious problem. As they have a long-term interest in the quality of the service, they will therefore complain about important aspects of the service (Tax and Brown, 1998; Tax et al., 1998). As previous research has not studied post-use aspects of real guarantees, there is a research need regarding the quality of the information that can be obtained through an invocation, as well as the possibility of identifying customer expectations through it. The second argument could be that the information obtained through a guarantee invocation could be incorrect if customers cheat on the guarantee for potential material gain. This risk, however, may be deemed as low, as indicated by a recent study. In three role play experiments, Wirtz and Kum, (2004) studied customer cheating on service guarantees. Their results indicate that neither high economic gain, full satisfaction guarantee (when the customer could invoke it for any reason), nor an invocation process that was easy would influence the customers to cheat. It was also revealed that customers who intend to repurchase are less likely to cheat than one-time customers, which reaffirms the fact that relationships with customers are beneficial not only to identify customer expectations (Zeithaml and Bitner, 2000) but also to lessen the risk that the information is incorrect.

Previous research has also identified that the size of the reimbursement will influence whether or not customers complain. In fact, a generous reimbursement has been found to negatively influence customers’ willingness to complain. When the “payout” is considered too high, for example without a defined limit, customers were found to be hesitant to invoke the guarantee (McDougall et al., 1998). These results concur with the findings of Hays et al., (2000) who state that in focus groups at Hotel Radisson, customers were hesitant to receive a full refund if their complaint was minor. High reimbursement may also be of interest in relation to the employee’s willingness to acknowledge that a customer has the right to invoke the guarantee after a failure, thereby identifying customer expectations. For example, Kashyap (2001) states that service guarantees establish mechanisms for routine checks on performance, and create “feedback loops between the company and its customers to facilitate organizational learning”. Because the reimbursement is a measurable sign
that a failure has taken place, he claims that there is a risk that front-line employees will hesitate to share complaint information as they are afraid of retribution. Therefore, a high compensation limits the possibility of identifying customer expectations with the help of a service guarantee.

In summary, the identification of customer expectations through the use of a service guarantee is more likely to be achieved if the guarantee is specific. Specific attributes in a guarantee give the customer a signal about the minimum quality that the service should deliver. It has a clear notion of the “contract” between the customer and the company, and it aids the customer in his or her decision to complain to the company by invoking the guarantee. In accordance with these findings, a specific guarantee, rather than an unconditional guarantee, would encourage complaints through a service guarantee, in this case to use the information to identify what customers expect of the service. It also seems as if the potential reimbursement not necessarily is a positive incitement, as the customer seemingly feels guilty or uncertain about the validity of the complaint if the reimbursement is “too high”. The fact that it may also restrain employees from taking the guarantee invocation, or informing officials of the company, is a signal that the selection of the reimbursement is a sensitive matter. We cannot conclude that the contents of a guarantee invocation indicate what the customer expects from a service, but it seems that we can exclude the assumption that the information will be incorrect as a result of a cheating customer.

The conclusion is that previous research has presented some conditions and a few signals about the guarantee’s role in identifying customer expectations. It has not, however, presented studies that identify whether or not the customer finds it easier to complain, if an invocation actually identifies expectations, or if the customer is recovered with the use of the guarantee. These matters should be addressed in post-invocation studies on the service guarantee as it is the only way to identify whether or not the anecdotal suggestions of previous research are sound.

**Designing and Improving the Service**

Once customer expectations have been identified, another challenge lies in designing or improving the service so that it corresponds to customer expectations. A failure to translate expectations correctly into quality specifications will result in a mismatch between the customers’ perceptions
of the service and their expectations (Parasuraman et al., 1985; Zeithaml et al., 1990). Zeithaml and Bitner (2000) state that the service standards should be customer driven, meaning that the information that is obtained from customers must be allowed to influence service design. They argue that areas which customers consider very important in the service must be identified and included in the development of service standards. Although the guarantee has been argued to gather such information, it is uncertain whether or not the information is used to influence service design or quality improvement. A few articles have debated the issue, indicating that the guarantee’s role in improving the service is a result of two matters: that employees at all levels become involved, and that the penalizing effects of the service guarantee force the company to improve the service.

In a description of how service improvements are institutionalized, it is maintained that with the implementation of a service guarantee “a true spirit of teamwork…continuous dialogue and feedback begins about progress, problems and processes” (Hart, 1995:65). Similarly, Kashyap (2001) argues that the organizational effects refer to the impacts on firms and employees that occur as a consequence of implementing a service guarantee. Based on a literature review, he maintains that within the organization, the effects of guarantees are designed around enablers (e.g., increased empowerment, top management commitment) and organizational effects (e.g., higher employee motivation and job satisfaction, improved customer orientation). He states that improvement will occur as service guarantees require companies to restructure, or at least to present a formation of cross functional teams, and to coordinate a number of diverse functions and technologies. According to Kashyap (2001), a specific guarantee that emphasizes specific aspects of service performance drives companies to concentrate their efforts on improving inter-functional and inter-departmental coordination. Hart (1995) also maintains that a common denominator for the companies that have been successful in implementing internal service guarantees is the use of specific guarantees, not the unconditional kind that he previously advocated as being superior. This supports the research by McDougall et al., (1998) and Wirtz and Kum (2001), which states that specific guarantees are more suitable if user quality is to be influenced positively.

Based on a case study of the development of a service guarantee at an Israeli hotel, Donath (1997) witnessed how the service guarantee
became an issue that engaged most employees. He identified that the implementation process included 10 multi-cross functional teams of employees and managers working on the task to suggest how the hotel could reorganize its processes. The aim was to identify new procedures in order to meet the customers’ expectations, minimize the damage in cases when the company did not satisfy the customer, and learn from failures so that they could eliminate the origins of the problem and improve the service. Although Donath’s recollections are similar to several of the normative “how-to” articles on service guarantees (Hart, 1988; Hart et al., 1992; 1998; 1995; Sasser et al., 1991; Maher, 1992; Hyatt, 1995), the value of the paper lies in the precise description of how the company worked to involve the entire staff in the development of the guarantee, aiming to ensure that delivering service standards would be a concern for all employees. This has been frequently suggested, but seldom studied in a service setting.

The penalizing effects of the service guarantee is the second aspect that is believed to influence the company to improve the service. For example, Hill et al., (2000) argue that service guarantees are a means to accelerate service quality improvement, but that for this to occur companies need to learn quickly from employees and customers. Although they concur with previous research on that issue, their focus lies on the second influence of the guarantee on service improvements. They state that “by punishing the firm for less than quality service, they prompt the firm to find the roots of service delivery problems and to improve service quality” (Hays et al., 2000:269). Hays and Hill (2001) also establish that organizational learning after failure improved after the implementation of the service guarantee. The same line of reasoning is used by Hart (1995), based on a number of experiences of companies that have used service guarantees to improve the internal processes of the service. He concludes that “if real and lasting change is to result from a guarantee, the payout must be motivating enough that a department is essentially forced to figure out how to avoid it - by determining how to ensure internal customers’ satisfaction” (Hart, 1995: 66).

In summary, a consensus among previous research can be identified - the penalizing effects of the guarantee, as well as its involvement of employees, will ensure that the company not only identifies what customers’ define as very important, but also develops a service based on these customer needs. As post-invocation studies on service guarantees are rare, however, it has not been established whether or not companies actually
use these ideas. Research is warranted to examine the validity of such statements, as this is one of the most commonly recited aims and gains of a guarantee.

**Delivering the Service**

In order to meet customer expectations, the service should also be delivered in accordance with the design. Parasuraman et al., (1985) state that whether or not employees perform according to the design of the service is the result of several factors: the hiring of suitable employees, the training of employees to deliver according to standards, providing employees with correct support systems, and ensuring that the best employees remain with the company. Zeithaml and Bitner (2000) state that customers may not understand the rewards of participating correctly in service production until the company informs them. This is important if customer expectations and perceptions are to match.

The service guarantee claims to influence all of these aspects (Sasser et al., 1991; Maher, 1992; Hart et al., 1992; Hart, 1988; 1998; 1995; Hyatt, 1995). Hays and Hill (2002) have argued that service guarantees may help firms to position themselves by clearly defining and communicating to employees and customers what their service has to offer. In a longitudinal study of the implementation of a service guarantee in hotels, they surveyed front-desk personnel and management before and after a guarantee was introduced. Their results show a significant increase in two aspects: organizational learning from failure, and employee motivation and vision. Hays et al., (2000:268) mean that “service guarantees communicate to employees the level of service that the firm intends to offer its customers, and they empower employees to satisfy customers.” They also identify that employees who are satisfied are more likely to perform well, and they imply that the guarantee is a useful tool to influence employee motivation. Interestingly, the penalizing effects of the guarantee are argued to improve employee behavior. “By “punishing” the firm for service quality lapses, they provide evidence to those employees of the importance of service quality to the firm” (Hays et al., 2000: 268). Kashyap (2001) bases the importance of empowerment on the findings of a number of recent studies, all indicating that empowered employees are faster, more motivated, warm, and enthusiastic, i.e., more effective at satisfying customers. He then explains that “service guarantees give managers the opportunity to empower
employees by providing a clear vision of expected results” (Kashyap, 2001:13). The explanation for this statement is related only to unconditional service guarantees, as he argues that “Due to the emphasis on guaranteed satisfaction, unconditional guarantees require firms to manage customer interactions and relationships rather than specific aspects of service performance. Unconditional guarantees require that employees be highly empowered and capable of customizing service to meet guest needs” (Kashyap, 2001:13). Also Lewis (1993) identified that employee motivation was positively influenced by a service guarantee. In a case study of a clinic dealing with customers that participated in a diet, and employees were initially found to be very skeptic to the guarantee. However, the guarantee increased the number of positive comments from patients, employee motivation increased as a result of the recognition that the guarantee gave them.

Wirtz (1998) argues that personnel management is improved because unambiguous, easy to understand guarantees set clear standards of performance for employees to adhere to, and identify what customers can expect. He also states that “the setting of standards and the often substantial compensation promised to customers at service failure communicate to employees strong management commitment to customer satisfaction” (pp.57). Wirtz provides four minor case-studies that give additional information about the value of the guarantee to the company - the guarantee is not free of cost. All four companies experienced increases in sales, but the costs associated with the guarantee were high, such as the following: determining which elements are most important to customers and should be covered in the guarantee, development of a suitable payout or compensation to customers, determining features of the guarantee, design of its visual message, and legal considerations and costs that are not related to the penalizing effects of the guarantee but to its development. Previous research has suggested that long term operating costs would decrease, but this has not been true for any of the companies that Wirtz studied. Instead, they experienced increases in costs, such as material, higher training, salary, and factual costs for payouts. The unit costs increased, and most importantly, “increases in efficiency were not perceived to match the higher costs incurred” (Wirtz, 1998:64).

Another impact of the guarantee relates to the customer’s behavior in the service. The term “Guarantee co-production” refers to “the
effect a guarantee has on a consumer’s own service delivery efforts” (McCollough and Gremler, 2004:61). They suggest that, based on the amount of co-production that is required in service delivery, a service can never guarantee full satisfaction unless it demands that its customers perform their part of the service as required. They also suggest that the satisfaction of customers will be greater if the customer can attribute a portion of the successful outcome to their own participation. For this, McCollough and Gremler (2004) use the label “self-satisfaction”.

In summary, a handful of studies have given insights into the roles service guarantees can have in delivering the service according to service design. Employee motivation have been found to increase after the implementation of the service guarantee, and the amount of compensation that companies pay for a service failure seems to influence whether or not service guarantees are to drive service excellence in service delivery. It was also suggested that customers are positively influenced by how they perceived to be guided in their role of co-producing the service. Most of these suggestions, however, need substantiation through studies on service guarantees when they are delivered.

**Matching Promise to Performance**

Customer perceived quality will be affected by what the customer has been promised through the company’s external communications (Parasuraman et al., 1985), as that may influence customer expectations. Zeithaml and Bitner (2000) mention that when customers are unfamiliar with the service, or are unclear about the contents, or are unsure about how the service will be delivered, they may be disappointed and hold the company responsible for the failure.

Of all research on service guarantees, it is the influence in marketing that has received most attention. Hays and Hill (2002) explain that the guarantee has a marketing impact that is both offensive and defensive. Offensively, the guarantee aims to attract new customers and increase market share by proclaiming reliability and a high-quality service. It includes studies on perceived risk (Kandampully and Butler, 2001), service guarantee design (Wirtz and Kum, 2001), pre-purchase evaluation of a service, and consumer response to the guarantee (Boulding and Kirman, 1993; Erevelles, 1993; Taylor and Cole, 1999; Marmorstein et al., 2001).
The studies on marketing have been examined with theoretical support – signaling theory has allowed for an understanding of the role of service guarantees in marketing. It is also an explanation for why service guarantee research has focused so much on the promise of the guarantee in marketing. The signaling effect of the service guarantee implies that it has other uses than simply to protect the customer after a service failure. The theory builds on the assumption that sellers and buyers do not have identical information. The seller is aware of its offering’s quality, but the customer cannot determine the quality of the offering until he or she has used it (Boulding and Kirmani, 1993). Guarantees are “cues” which customers use to evaluate the reliability of the offering. According to signaling theory, the customer looks at the guarantee as something that only a company with high-quality offerings can afford. It is based on the reasoning that a guarantee that promises “full satisfaction” to a customer would be too expensive (in terms of customer payouts when the service would fail); therefore, such a guarantee can only be offered when the quality is high (Boulding and Kirmani, 1993). The guarantees signaling effects is, however, debatable.

For instance, Erevelles (1993) proposes that there is always risk present in a purchase, regardless of the quality of the product or service, and it is this risk that makes the customer interested in the guarantee, not signals of quality. In a made-up advertisement evaluated by 338 business students, warranty (length) and price (high and low) perceptions were manipulated. The results strongly question the signal theory, as it contradicts the previous assumption that guarantee length and quality of product is direct and positive. Erevelles believes that it is the risk factor of high prices that has direct impact on customers’ evaluation of quality, and because a guarantee reduces the perceived risk in such a situation, it will influence perceived quality indirectly. Erevelles also argues that though the guarantees may be a persuasive sales variable, consumers see guarantees foremost as a backup in the event of failure, not as an influence on their purchase intention. Instead she states that it is the entire package of both price and guarantee that will signal quality to the customer. Wirtz (1998) presents the following amplifiers where perceived risk is high, as well as the impact on customer behavior: high prices, high negative consequences of a failure, a service that is ego-involving, the customer has little knowledge, brand recognition is low, word-
of-mouth is important in decision making, and the service is highly customized.

There are also some studies that contradict Erevelles arguments. Ostrom and Iacobucci (1998) argue that because services are perceived as risky, customers find it difficult to form pre-purchase evaluations and they turn foremost to extrinsic cues (aspects of the service that can be altered without changing the core of the offering, for example, brand, price, or a guarantee). In two parallel studies they address how evaluation was influenced by a variance in quality and evaluation in relation to prior experiences. The results showed that service guarantees influence evaluations, but only under certain conditions; when the service quality variance is high in the industry the guarantee result in more positive evaluations, but only when no specific information is available about a brand or service firm. When customers had previous experiences, the guarantee did not effect customer evaluations. Similarly, Tucci and Talaga (1997) found that a service guarantee demonstrates a satisfying experience to customers who purchase services that are "in between" in terms of quality. High priced services, as well as low priced, are not considered great risk and therefore the guarantee is of no use in those situations.

Marmorstein et al., (2001) argue that companies improve their service through numerous quality programs, but spend surprisingly little time communicating these improvements to the consumer. Service guarantees are a method of informing customers about service improvements, reorganizations, and quality programs that have been made. They state that the persuasive power of service guarantees is dependent on the pre-existing reputation of the marketer and the nature of the message itself, and suggest that “when causal evidence about the reliability of the service experience is also provided, consumers view the monetary compensation for an infrequent service failure as a significantly greater benefit…..consumers are looking primarily for good service and only secondarily toward compensation in the event of service failure.” (Marmorstein et al., 2001:153). The argument is supported by Ostrom and Iacobucci (1997), who maintain that the quality of services tends to fluctuate; therefore, service reliability is a critical determinant for customer satisfaction within services and service guarantees.

In conclusion, there is a debate concerning the guarantee’s marketing impact. It has been identified that customers use cues, such as
price, when they make their purchase decision, and that the guarantee’s impact diminishes when other cues help the customer evaluate the service. Some research has argued that the guarantee is only of interest to customers when there is a clear risk present. Risk, as an amplifier of the guarantee’s impact, has never been questioned, but it has not always been considered the sole source. The implications of such suggestions are that when the guarantee is set in a real service setting, the customer is likely to use their past experiences of the service or what they have heard from someone else. They evaluate prices, the brand name, the specific offer in comparison to what they could receive from a competitor, present advertising or sales promotions, or form their decision based on what will be most convenient.

From a company’s point of view, when marketing a service guarantee, the aim is not to communicate that the service may fail and that the company is prepared for it. Instead, the intention is to convey that their service quality is so reliable, that they confidently promise a reimbursement if the service will not deliver. It is based on the theory that customers evaluate a guarantee with high promises, as being too costly for a company that does not uphold such high quality (Boulding and Kirmani, 1993). In short, “a service guarantee is offered with the expectation that it will not be invoked” (McCollough and Gremler, 2004:59). In most studies, however, the guarantee has been fictitious and studied in isolation both from real service users and real service contexts, which has left a void in the understanding of how customers respond to the guarantee message in reality.

Closing the Gap between Expectations and Perceptions

If customer expectations of a service differ from their perceptions, there is a gap in customer perceived quality. It is the focus of the gaps model, as well as the objective of each process that has been identified in it, to close this gap (Parasuraman et al., 1985). There are several reasons why companies try to limit the risk of a mismatch between expectations and perceptions. Grönroos (2002) mentions quality problems, bad reputation, and unwanted word-of-mouth communication as negative effects on the company’s image and lost business opportunities because of negligence in closing the gaps. Kasper et al., (1999) maintain that service quality can be achieved through two different approaches – either through a higher performance or by lowering customer expectations. The most important aspect is matching performance and expectations. Whether this final gap is closed or not
depends on how well the other four gaps are handled. The last role of the guarantee deals with the consequences if performance and expectations do not match, and the company aim to rectify a failure with service recovery. Johnston and Fern (1999) maintain that the ineffective handling of a failure may influence customers more negatively than would the original failure, thereby arguing the importance of service recovery. It has also been suggested that a service guarantee could fulfill the “recovery paradox”. It refers to the “situation in which a consumer has experienced a problem which has been satisfactory resolved, and where the consumer subsequently rates their satisfaction to be equal to or greater that that in which no problem had occurred, as the recovery paradox, where recovery refers to the efforts of the service provider to turn customer dissatisfaction into satisfaction by addressing the customer’s service problem” (McCollough and Gremler, 1992:119). As post-consumption studies on service guarantees are lacking, it has not been substantiated whether the guarantee does influence service recovery or not. The paradox has however not been thoroughly researched or identified regarding service guarantees. The main reason is, of course, that the focus of service guarantee research has been its post-purchase effects on customers. It has, however, been identified what the customer expects in terms of recovery when a statement of “satisfaction guaranteed” is marketed (Schmidt and Kernan, 1985). It was identified that such a statement gave customers the impression that unsatisfactory items would be replaced, and a refund or rain check was anticipated.

There is also one study that claims to have studied how a service guarantee lessen the gap between performance and expectations, and result in higher service quality and customer satisfaction. McCollough and Gremler (2004), claim to prove empirically that a service guarantee positively influences overall satisfaction by its mere existence, even if the guarantee is not invoked. This reasoning is interesting, but although their theoretical reasoning is convincing, (founded on, e.g., signaling effects, risk reduction, and increased comfort in the purchase), their empirical study is uncertain. McCollough and Gremler studied a service guarantee that was offered to college students in a marketing class, guaranteeing them a certain quality in the performance of the instructor. Of the 272 students that have been offered the guarantee, only one has invoked it. The fact that students expressed satisfaction with the guarantee, although they had not invoked it, was interpreted by the researchers as a sign that it would influence
satisfaction even if the guarantee was not invoked. This may indicate that the service could be excellent, the guarantee could be poorly communicated, the guarantee could be impossible to invoke, or it could be concerned with matters that are not important to the students. The effects if service guarantee on service recovery therefore remains unknown.

Research Needs Regarding Service Guarantees

After reviewing previous research on service guarantees from a service management perspective, a few patterns have emerged regarding the research content and the research manner. The research content reveals that when the normative suggestions are studied in empirical research, the reality is more complex than what has been argued.

The manner in which service guarantees are studied is questionable. The discussion related to service guarantees is often normative, with anecdotal referrals to successful implementations of the guarantee in successful companies. Empirical foundation is encouraged, especially with focus on customers who have invoked a service guarantee in a real life service. This would greatly improve the service guarantee’s worth in the service management research agenda (Kashyap, 2001).

Another reason for criticism is related to the credence that the normative suggestions have received; they are almost considered sound theory. Anecdotal referrals to success-stories, however, may present an incorrect image of the service guarantee as it does not acknowledge or analyze unsuccessful cases. The service guarantee is often described under conditions such as “A good guarantee forces the company to focus on its customers...An effective guarantee sets clear standards for the organization” (Zeithaml and Bitner, 2000: 183), “A good service guarantee is meaningful financially” (Hart, 1988: 56), or “A well implemented guarantee increases customer complaints for several reasons” (Ostrom and Hart, 2000, in Swartz and Iacobucci, 2000: 300). It seems that the implications of service guarantees are conditioned; only under perfect conditions will the guarantee have the intended effects. But what are those conditions in reality? And what effects does a guarantee have if the conditions are not perfect? The guidelines suggested for development of a guarantee are one-sided; they are exclusive based on success stories, and do not address why one company has succeeded and another has failed with virtually identical guarantees. Perhaps more importantly, the effects of a “less-than-perfect” guarantee on service
companies are unknown. These questions need to be further addressed in research.

Recent research presents a more realistic picture, foremost on guarantee design issues, but the difficulty with hypothetical scenarios and experiments is that the guarantee is examined in isolation from its context. For example, in several studies, students are asked to choose from a selection of service guarantees connected to an imaginary restaurant service or hotel service. These students are not influenced by external factors such as stress, brand-preferences, economic issues, sales promotion, or other marketing measures that normally would influence a customer. The results from such a study can explain the superiority of one guarantee over another, of one customer group over another, or one type of service over another – when all other elements are considered equal. In reality, guarantees may come with flaws or simply do not perform as intended to. Customers may be influenced by reference groups, they may not be aware of the guarantee, or they may select a restaurant for reasons other than a guarantee etc. As a result of its lack of empirical research, the trustworthiness of the guarantee’s impact on service management is doubted. Empirical validation or contradiction of service guarantee theories would be a welcome contribution to service guarantee research.
EMPIRICAL STUDIES

This section presents the five studies that have been conducted within this dissertation. As it has been argued in this dissertation that previous research is either normative or one-sided in its approach, an overview of the studies constituting this dissertation has been detailed in this section. The aim is to present how the studies relate to and build on each other. Lastly, each of the appended papers is summarized.

Aims and Problems

The aim of this dissertation is to study what roles service guarantees have in managing services. The studies of this dissertation were brought on by the fact that research on service guarantees is scarce, but the concept is becoming increasingly popular in modern companies. The studies are further warranted by the dilemma that the initial normative studies rendered much attention, but misconceptions have spread as those normative suggestions are neither based on theoretical nor methodological grounds. A number of studies have attempted to substantiate those suggestions, but as that research isolated the guarantee from its service context there are still unanswered question about the roles of the service guarantee in managing services. In this dissertation, the roles of the guarantee were set in a larger service perspective using the gaps model for customer perceived service quality. The gaps model indicates a number of important areas where the guarantee, if it had impact, would be influence service quality. The research questions that have been used to study what roles service guarantees have in managing services can be found in the appended papers.

Overview of the Empirical Studies

Methodologically, previous research on service guarantees leaves much to be desired. Although experimental research methods have been applied with rigor, the knowledge of service guarantees has not yet reached that phase when a subject has been thoroughly explored and the aspects that can and should be measured have been identified. It is also likely that previous research has favored experiments because of the difficulty of identifying actual customers that are in the process of, for example, evaluating a firm based on their guarantee offer. Instead, students have been recruited to pose as real customers. The difficulty of gaining access to customers to address
post-use experiences is probably also the reason why such research, up until this thesis, is almost non-existent. One objective with this thesis is therefore to widen the scope, not only regarding service guarantees (i.e., not isolate them, but put them in a wider context), but also by applying a number of different methods to research the subject.

The greatest difference between the research of this dissertation and previous research is that it addresses the service guarantee post-use. Capturing a customer's post use experiences influenced the design of the research; it begins as exploratory and gradually has a quantitative influence, finishing with a postal survey. Empirically, the cases were selected based on the relatively long time that the companies had used and marketed service guarantees, so that both customers and employees had had time to get familiar with the guarantee. The methods used are presented in table 2. They are presented in the order following the gaps model, with paper I and II mainly discussing issues from the part of the model relating to the provider, and paper III-V relating to the customer. However, the chronological order of the studies was different.

<table>
<thead>
<tr>
<th>Paper</th>
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<td>III</td>
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<td>IV</td>
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<td>Customer Satisfaction</td>
<td>Survey research</td>
<td>392 customer responses after guarantee invocation</td>
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Table 2: A display of the focus, method, data, and context of each study.

Chronologically, the first two studies (paper I & IV) were based on open in-depth interviews. For example, although study I addressed the
effect service guarantees have in service development, it involved three
different companies, interviews with both employees and customers, and
was matched with a content analysis. As a result of those two studies and a
concurrent literature review, the proper research methods for the remaining
studies could be selected.

In paper IV, the reader can see that only one in 19 customers
knew of the guarantee before they contacted the company to complain
about a failure. This fact influenced the design of the study that aimed to
capture customer expectations of the service guarantee. Rather than
continuing with in-depth interviews, group interviews were deemed useful
for several reasons (paper III). Foremost, we wanted to avoid asking
questions and thereby influencing how customers describe their
expectations, but we also anticipated that in the discussion between group
participants, sudden unknown expectations could be identified. The focus
group interview was designed so that only one question was asked of the
customers, and instead of controlling the content of the discussion, we
controlled the form for it. The method proved useful not only in gaining an
understanding of customer expectations about service guarantees, but also in
expressing the customers’ expectations. The results of the study were useful
when the postal survey that is presented in paper V was developed.

If it was possible to predict when and where a service failure
would take place that would lead to guarantee invocation, it would be the
ideal moment to carry out research. A before and after study with customers
could present a true image of customer satisfaction with the service
guarantee, as both expectations and perceptions could be measured at the
situation it is experienced. To observe the interaction between employees
and customers at the time of invocation could also give insights into if and
how the guarantee sets standards for service performance. From such
thoughts, Mystery Shopping observations evolved as a suitable approach
(paper II). Four individuals were trained to pose as customers, encounter
employees with questions related to the guarantee, and evaluate their
responses and behavior. The method proved to be useful in terms of
identifying how employees deliver the service guarantee to customers, and in
evaluating whether or not the service guarantee set the standards for service
delivery that the company intended. A drawback, however, could be that the
results of such a study are falsely interpreted as being identical to how
customers would experience the guarantee. This is not necessarily the case,
as customers bring emotions and expectations into an encounter that professional observers are trained to set aside. In a mystery shopping study, the observers evaluate observable facts. This method should only be used to evaluate if and how a service is carried out in accordance with the standards set by the company.

The research was completed with a quantitative study that addressed several of the aspects that were interesting within the earlier studies (V). In hindsight, was the design of the empirical studies useful in identifying the role of service guarantees in managing services? And did the studies themselves bring additional value to the understanding of service guarantees? The answer to both questions is yes. For example, the chart that identified Customer Expectations of Service Guarantees (CESG, focus group interview), in combination with a postal survey, presents a fruitful manner to identify what customers expect from a service guarantee, both practically and for the aims of research. Observations were for example found to be a very suitable approach for research purposes. The study identifies behaviors that could not have been noticed, for example, in a survey or in an interview.

Summary of the Appended Papers

**Paper I: The Role of Service Guarantees in Service Development**

The guarantee has been argued to influence customers’ willingness to complain, and thereby aid the company in identifying customer needs and improve the service according to those needs. The understanding of the role of service guarantees in developing the service is limited as no studies have been conducted on the subject. Therefore, a study was designed with the aim to describe and analyze how a service guarantee may support service development.

Methodologically, we chose an exploratory approach to the study because this study delves into unexplored territory. The selection of the research context was influenced by an article in Sloan Management Review, where it was identified that the size of the compensation of the guarantee has to be large enough to allow for service improvements. Hart et al., (1992:19) identify that in B2B companies, the rate of the service

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guarantee payout is higher than in B2C businesses, and they also recognize that each payout is likely to be more painful as there usually are fewer customers and higher fees related to each customer in the business-to-business companies. The authors also imply that the focus on achieving and maintaining service quality would be high in B2B. Hart et al., (1992) specifically state that “in part because of the particularly high cost and hard-to-quantify nature of their work, management consulting firms in particular have been adventurous in exploring the unconditional guarantee”. Based on these ideas, we choose the temporary work businesses and staffing services industry, where the same patterns could be anticipated.

Data was gathered through 31 in-depth interviews with customers and employees within three companies. The case companies were selected based on several criteria: they all have offered service guarantees to their customers for at least a year, they are part of the same industry, and they are based on similar service contexts. After completion of the interviews, the study was intensified with a content analysis of guarantee claims within one of the companies that was selected as “host-case” for the remainder of the study. The selection of the host case was determined by free access to employees and customers that had invoked the guarantee, and foremost by internal documentation from different guarantee processes. The content analysis aimed at identifying whether or not actual service improvements had occurred as a result of the customers invoking the guarantee.

In this specific study, the promise was visualized by three specific guarantees: a cancellation guarantee gives the customer the right to cancel a consultant one day prior to the first day of the assignment free of charge, a complete assignment guarantee releases the customer from charge if the need for a consultant cease before the estimated time (the company pays only for the days it takes to complete an assignment), and a responsibility guarantee allows the customer to complain about the consultant if not fully satisfied and not have to pay for the consultant’s first days or the replacement of the consultant (valid for three days).

Our review of the claims shows 29 people who filled out the form, acknowledged the problem, and solved it on a short-term basis. From a service improvement perspective, these claims contain inadequate information and complicate service improvement. In three guarantee reports, reflections are made that the problem could occur again and affect
other customers, but no measures have been taken to prevent such occurrences. There is, however, concrete evidence that in nine out of 41 claim reports, a redevelopment and improvement of the service offer have been made. Our study shows that the guarantee itself is a development of the service for a number of reasons: it may clarify customer expectations, it clarifies the roles played by both producer and customer in the service process and in the recovery process, it gives customers a guarantee of resources, and finally, in almost one out of four guarantee invocations, there have been service improvements as a result of the customer invoking the guarantee.

**Paper II: The Service Guarantee as a Standard for Service Delivery***

The guarantee has been argued to influence service delivery for several reasons: it sets performance standards for employees (Tax and Brown, 1998), it visualizes the company’s objectives in a simple manner, and it motivates the work force to strive to achieve the same goal (Maher, 1992). Despite the guarantee’s suggested positive impact on employee behavior, only one study has addressed this issue. Therefore, a study was designed with the aim of observing how employees present and explain the service guarantee.

The method used to examine this question was Mystery Shopping which is a type of observation that is useful in evaluating how employees perform in relation to the service standards that the company has set for service delivery. A business is evaluated by an anonymous, trained observer who poses as a customer to monitor the quality of procedures and processes that front-line employees use when delivering a service. In this case, 224 employees were evaluated on their awareness of facts about the service guarantee, and their attentiveness while interacting with customers (see table 3). The study was set within public transport where a guarantee policy, assuring customers that they can take a taxi at the expense of the transport company, has been in use since 1999.

Empirically from this study it was detected that although the company maintains that the service guarantee standards have been clearly communicated, the overall knowledge of the guarantee among employees is low. The employees themselves may not understand their role in conveying the guarantee message to customers, nor that their commitment and

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trustworthiness in such interaction may be what finally convince the customer to invoke the guarantee. According to the gaps model, this implies that employees are unable or unwilling to perform the service at the desired level. In this case it may be explained by deficient or insufficient training that employees may have received, which has not provided them with an understanding of what role the service guarantee is intended to have in their interaction with customers.

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<th>Attentiveness</th>
<th>High</th>
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<tr>
<td>High Awareness</td>
<td>Scenario 1</td>
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<tr>
<td>Low</td>
<td>Scenario 3</td>
<td>Scenario 4</td>
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Table 3: Employee awareness of the guarantee and attentiveness to customers.

The results in table 3 show that the consequences of deficient training may be worse than anticipated. One would expect that the worst scenario would be employees that were located in the low-low box (scenario 4), but in this case they did less damage than the employees located in scenario three. Those employees could be categorized as “ignorant chatterboxes”, having a limited knowledge of the service guarantee but nevertheless discussing the guarantee with customers as if they had knowledge of it. The fact that they are service minded and have a “desire” to help the customer will in this case result in the customers having an incorrect image of the guarantee and incorrect expectations have been formed. Therefore, the high attentiveness – low awareness scenario was actually worse (and more common) than the low-low scenario. In short, instead of stating that they were uncertain, they answered the customers’ questions with incorrect answers.

Service Guarantees are often implemented as a reaction to competitors’ marketing initiatives to handle sudden lapses in quality and to improve overall service quality. In reality, employee training and quality improvements before the guarantee is introduced are often overlooked. The belief is that the guarantee is a self-fulfilling prophecy. This study displays a scenario that gives reason to question the assumptions of previous research.
Customers who encounter employees who are characterized as ignorant chatterboxes would receive a distorted image of what the service guarantee would do for them, setting incorrect expectations, and thereby laying the foundation for future dissatisfaction.

**Paper III: Customer Expectations on Service Guarantees**

The guarantee has been frequently argued to influence marketing, and most studies on service guarantees have addressed this issue. There are a number of guidelines that have been touted as “the one way” to design a service guarantee if the guarantee is to positively influence customer choice. Recently, these guidelines have been questioned, indicating that the connection between risk, high price, and positive attitudes toward a service guarantee is more complicated than was previously expected. The studies have solely addressed how the customers perceive the guarantee statement before purchase, not after it has been experienced. Therefore, a study was designed to describe customer expectations of a service guarantee in use after it has been invoked, and to compare the expectations with the previously identified guidelines.

We chose to identify customer expectations on service guarantees using focus group interviews. A total of seven focus group interviews were conducted covering 70 participants. The participants were guided to describe important quality dimensions of a guarantee and to describe what characterizes each dimension, followed by a grading of the importance of each characteristic. The result of the interview was a chart of expectations on service guarantees (CESG) that was visible on a whiteboard to both the participants and the researcher/moderator performing the interview. The presentation of the CESG is a resolute example of how the participants of a group interview can be guided to focus on a part of a service or a specific phenomenon.

The empirical study was conducted within public transport in Stockholm, Sweden which is an exclusive service context for several reasons. The service is funded 50% by taxes and 50% by ticketing incomes. The overall responsibility is held by a public organization, but a total of five entrepreneurs jointly provide the core service that daily produces 1.3 million trips for approximately 160,000 customers. The customers are compelled to

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use the service as a result of the lack of competition, but also because they are unable to substitute the service with other means of transport. The service guarantee that is connected to this service gives the customer the right to take a taxi, at the expense of the transport company, in case he or she expects a delay of 20 minutes.

The study makes several contributions to the research on service guarantees. Customers that have used the guarantee prefer specific guidelines for when the guarantee is applicable. This finding does not support the recommendation of previous research to design the guarantee without conditions. Another indication that the previously suggested guidelines are incomplete is the difficulty of separating the guarantee from the service context. We interpret this as a signal that each service context should be examined before the guarantee is designed, as it is likely that the varying service contexts set different demands on the design of the guarantee. To strictly follow the suggested guidelines would thereby make the company design deficiencies from the outset.

**Paper IV: The Effect of Service Guarantees on Service Recovery**

It has been suggested that more needs to be known about the role a guarantee plays in customers’ subsequent behavior in relation to the service provider (Bolton and Drew, 1995; Ostrom and Iacobucci, 1998). Therefore, a study was designed with the aim of examining the possible effect that service guarantees may have on service recovery.

The Hotel chain RadissonSAS offers a service guarantee which reads “Our goal at RadissonSAS is 100% Guest Satisfaction”, and in small print “If you aren’t satisfied with something, please let us know and we’ll make it right or you won’t pay.” Employees are advised to listen to the customer and apologize for their inconvenience while offering to correct the problem, and if the customer still is dissatisfied, they are to offer a discount or a refund. Written documentation of each complaint and compensation was available in the hotel’s database. Customers from four continents participated in telephone interviews regarding their stay at a Scandinavian hotel. The interviews were guided by the critical incident technique (CIT) and focused solely on negative disconfirmations. To avoid recall bias, all

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interviewees were briefly retold of their negative critical incident that caused them to invoke the guarantee.

Contrary to previous research, the study addresses the actual experience of a guarantee. The service guarantee was found to influence the outcome of service recovery for two reasons, the first of which was its effects on how employees behave to recover the customer. Although employees are instructed to apologize to the customers, there is a risk that employees put too much emphasis on the monetary reimbursement and refunds instead of providing a solution to the problem and displaying empathy to the customer. In situations when the customer is new to the service, they disapprove of this type of behavior and the outcome of the recovery is negative. In situations when the customer has a prior relation to the service, they are not negatively influenced. It can also be suspected that customers who intend to interact with the company on more than one occasion have a long-term interest in the quality of the service, and wish to prevent the incident from recurring.

The second influence on the outcome of service recovery concerns the effect it has on the customer when they discover the presence of the guarantee after the failure. Neither the critical incident nor the recovery situation is to be viewed as isolated from the pre-history of the relationship (Boshoff and Leong, 1998; Tax and Brown, 1998). The fact that only one in 19 customers was aware of the guarantee, before they had a need to invoke it, diminishes the results of previous research on service guarantees. If customers are not aware of the guarantee, it cannot lessen the customer perceived risk before purchase. However, our study indicates that the uncertainty that customers experience when approaching a complaint situation after failure is lessened once the customers are informed about the service guarantee. The front-line employee presents the guarantee of satisfaction at the time when customers are receptive to it, which is after they have experienced a failure and decide to speak up to the company. Then the customer is relieved to hear that the company has a pre-planned procedure for failures, that others have complained as well, and that the company considers the complaint important. In total, this has a positive influence on the outcome of service recovery.
Paper V: Revealing the Recovery Paradox: How the use of a Service Guarantee influence Customer Satisfaction*

Service guarantees have been claimed to be an important device for achieving total customer satisfaction after a service failure (Sasser et al., 1991:339). The knowledge about guarantee influence, however, is limited to customers who have not yet purchased the service, nor invoked the guarantee. A study was therefore designed with the aim of examining if and how customer satisfaction is influenced by the invocation of a service guarantee.

Once again the empirical setting is public transport in Stockholm, Sweden. Through a postal survey, data from 592 respondents who had invoked the service guarantee was collected. The sample of respondents was selected from the company’s data base for guarantee claims. Every fifth claim was selected, covering almost a four month period. An individual description stating date, time, transportation mode, and location of the failure that preceded the guarantee invocation initialized each survey. Respondents were asked whether or not he or she remembered the incident (yes, no, or partly), whether or not they had received any refund (none, partly, or full), who they considered to be responsible for the incident, and the number of times that they had used the service guarantee. Questions were also asked about gender, age, and how frequently they use public transport (daily, a few times a week, a few times a month, and more seldom). The questions then turned to the respondent’s opinion of the meaning and quality of the service guarantee. Each statement was rated on a scale ranging from 1 (do not agree at all) to 7 (fully agree).

The study answers questions about how customers who have used an existing service guarantee in a service setting evaluate that experience. The results indicate that service guarantee use, after a failure, significantly increases customer satisfaction with the overall service above pre-failure satisfaction levels, i.e., it achieves the recovery paradox. The explanation was found to relate foremost to three aspects, most importantly being the fact that the customers feel confident that the guarantee will help them solve their initial problem. The other two aspects related to procedures and the distribution itself. Two of the four main drivers of the recovery paradox were also mentioned by previous research as important aspects of

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* Co-authored with Margareta Friman, submitted to Journal of Customer Behavior
service guarantee design (simplicity of rules and meaningfulness of the guarantee). However, as it neither has been accounted for how those guidelines for service guarantees have been developed, nor how they have been identified, the fact that this study confirms their importance is a contribution in itself.
RESEARCH CONTRIBUTIONS

This section is centered on the contributions of the dissertation related to the guarantees’ roles in managing services. To begin with, the discussion recapitulates how and why the roles were identified, and discuss why a dissertation of this kind is of value. It is followed by a presentation of contributions related to each of the five roles that were identified earlier. In the final pages, the areas for future research are presented.

The popularity of the service guarantees was initially argued to be the result of their ability to overcome some of the difficulties in managing modern-day service companies. However, surprisingly little research has been conducted on the subject. Therefore, the aim of this dissertation is to widen the understanding of the role of service guarantees in managing services.

An analysis of the varying definitions and theoretical points of departure, display a relatively new research area that still struggles with an identification of its roles and value in service management. In total, five roles were detected from the exploratory descriptions of uses and benefits suggested in previous research, all having an overarching intention to influence service quality as it is perceived by the customer. These roles were thereafter structured by a service management model with the ambition of presenting and discussing service guarantee research in its entirety in managing services, instead of isolating it as had been done by previous research.

In retrospect, it can be argued that this ambition has been attained. Five separate studies provide a rich, empirical examination of an area that, up until recently, has been under the influence of anecdotal and normative assumptions. The studies in this dissertation both corroborate and contradict that research, but foremost present new knowledge on post-use implications of the service guarantee. As a result, it can now be identified that the normative influences have not only led to incorrect expectations on the guarantee, but also oversimplified the managing of service guarantees. It has been argued in distinguished scholarly articles on service guarantees, that there is a lack of studies that explore real service guarantees in use (McDougall et al., 1998), a lack of studies of customers who have invoked such guarantees (Wirtz and Kum, 2001; 2004), and that “the failure to recognize post-consumption guarantee effects have diminished their [service guarantees] worth in the service research agenda” (Kashyap, 2001:9).
Therefore, it is maintained that the most important contribution of this dissertation to service research, is that it presents an understanding of ‘service guarantees in action’. All data is gathered from actual customers and/or employees regarding service guarantees that have been in use for several years before the studies were conducted. Together, these studies present new knowledge about the role of service guarantees in managing services. This research may, contrary to previous research on the subject, identify if service improvements can and have occurred, if the service guarantee actually does have an effect on customers that have experienced a service failure, and if the guarantee actually has an influence on service delivery. It can be compared to the study of service quality – to measure only customer expectations and then make a statement about customer satisfaction would be incorrect. It is commonly known that customer perceptions after use should also be measured. Similarly, it would be equally incorrect to make assumptions about the service guarantee’s influence on satisfaction when only the expectations of it have been addressed, and not the perceptions after use. The results of this dissertation present a first indication about perceptions and influences of the guarantee after use. Its implications are numerous, and it puts previous research in a new light, which will be revealed in the next few pages where the contributions related to each of the five roles are presented.

**Customer Needs**

The role of the service guarantee in identifying customer needs is attributed to the fact that the guarantee increases the contact with customers after a failure. It was found to influence customers’ willingness to complain and voice their dissatisfaction to the company, and to influence the company to react when a complaint is received (study I). The reactive measures were systematized and formalized through the use of the guarantee, and by interpreting and acting on the reason for the failure as stated in the guarantee reports, customer needs were identified and the customer was recovered. This fact corroborates what has been suggested, but seldom studied, in previous research on service guarantees (see, for example, Wirtz, 1998; Levy, 1999; Kandampully and Butler, 2001). Apart from substantiating that research, the contribution foremost relates to service development, as the guarantee have been found to influence continuous customer contact. Service Development has been found ad-hoc in nature and in need of
systematization as well as continuous contact with customers (Martin and Horne, 1993). The continuous contact is a building stone in customer care that gives the company competitive advantages (Grönroos, 2002), is receiving a better knowledge of its customers.

Quality Improvements

The role of the service guarantee in creating a focus on quality improvements is closely linked to the identification of customer needs, and was addressed in the same study (study I). Its role in this process is to ensure that the company allows the identified customer needs to influence service improvements or design. A guarantee that had this role would result in internal improvements of service production processes, and lower costs for the company related to the correction of failures. To allow customer needs to influence service improvement also ensures that the company would obtain a leading edge in service design and identification of new trends. However, a service guarantee does not instigate a formal service improvement process, thereby partly contradicting what has been argued in previous research. This was identified even though there were high costs associated with the service guarantee, i.e., the payout that has been suggested to “whip” the company into improvements according to customer needs (see, for example, Hart, 1988; Donath, 1997; McDougall et al., 1998; McCollough and Gremler, 2004). In this case, the large payout has signaled to the company that it is expensive to reimburse customers and solve their problems immediately, but it has not influenced the improvement of the service with the same systemization. This study therefore displays a more diversified picture of the obstacles in improving the service according to customers’ expectations.

Set Standards for Service Delivery

The role of the service guarantee in setting standards for service delivery relates to the difficulty of determining and controlling the outcome in service production. Companies therefore issue guarantees of an outcome state instead of an outcome result (Hart, 1988). Although the influence of standards on co-production of the service relates to both customers and employees, the influence on service delivery foremost discusses internal aspects of the standards, such as employee motivation and empowerment. The study (II) contributes with an understanding for the guarantee’s
standards that relate to guarantee design; in this example, the guarantee was designed so that customers should not have to contact an employee to invoke the guarantee, but instead send in a receipt for a refund. The employees did not have to invoke the guarantee but merely inform customers of their rights. This fact seemingly “excluded” employees from taking an active part in satisfying the customer, and the results show that service minded employees who had little knowledge of the guarantee, gave customers an incorrect image of the contents of the guarantee. The identification of employees who may actually diminish the customer’s experience, because they are highly attentive but they are unaware of the guarantee, has not been previously identified and deserves further research.

This does not confirm previous research, where the service guarantee has been claimed to state clear service standards, been suggested to stimulate teamwork, and give employees authority and a clear vision of their responsibilities that influence actual service production (see for example, Firnstahl, 1989; Hart, 1995; Hays et al., 2000). Instead, all three studies suggest that the role of the guarantee in setting service standards for service delivery is more complicated than has been suggested.

In two other studies (III and V) in the same context and guarantee, customers’ expectations on the guarantee did not identify the employee as important to satisfy the customer. This fact needs to be further addressed in future research, as employees often are considered to be a very important influence on customer satisfaction.

**Marketing**

The role of the service guarantee in services marketing has been the most advocated in previous research. It is based on the argument of the guarantee being a signal of service quality before purchase. This assumption has one condition - that the customer is aware of the guarantee before purchase. It is argued, based on the studies of this dissertation, that customers often do not pay attention to a guarantee before purchase. In study IV, for example, all employees were aware of the guarantee and convinced that the customers knew of its existence. It had been heavily marketed. Nevertheless, only one in 19 customers were aware of the guarantee before invoking it. In all studies conducted within public transport with data from customers that had invoked the guarantee, each study identified people who were unaware of the guarantee even after having invoked it.
This fact indicates that the customer’s reasons to purchase a service are because of what they will receive as a result of the service, not because of what they will receive if it fails. Before the service purchase, customers do not notice a message that promises action in the case of failure (i.e., the guarantee). Instead, the guarantee sends its strongest marketing signal once customers have had an incentive to become aware of it. Most often, this incentive is presented in the form of a disappointment about a failed service. When the customer becomes aware of the guarantee, they are relieved (study IV). The guarantee brings an awareness of problems to the service and customers found that it was easy to complain (study I). After invoking the guarantee, they express a feeling of confidence in using the service that has a guarantee attached to it, as it will help them achieve their original intention with using the service (study V). This argument gives us reason to question the value of previous research on service guarantees. Almost without exception, previous research has focused on the guarantee’s effect on the customer before purchase, and based the studies on hypothetical experiments or scenarios where a fictitious customer is exposed to a guarantee statement. Based on these studies, they have identified that it can influence customer choice in several ways. However, as the studies always expose the customer to the guarantee statement, it sets aside the one condition for the guarantee to function as a signal; namely, they make the customer aware of the guarantee statement. In the light of this knowledge, previous research has displayed the potential that a guarantee may have as a marketing signal if the customer is aware of it. The difficult question for research to answer, however, must be how to make the customer receptive for the guarantee if those signals indeed should be sent and observed.

Service Recovery
The role of the service guarantee in service recovery plays an important role in managing services. It gives the company a way of preparing for failures that they know will arise, as a result of the customer being a contributor in service production, but also as fluctuations in demand cannot be prepared for etc. One of the most important contributions of this dissertation is therefore the identification of the recovery paradox - that customer satisfaction with the overall service is higher after the use of a service guarantee, despite the fact that a failure has taken place. In study V, the guarantee’s positive effect on service recovery outcome was confirmed with
the help of a survey study of customers who had invoked the service guarantee. Customer satisfaction with the service, after using the guarantee, was higher than before the initial experience of the service failure occurred. The fact that the guarantee makes customers confident in achieving their initial goal in using the service, despite a failure, was determined to be the major reason why the recovery paradox was identified. The recovery paradox has never been identified nor researched in relation to the service guarantee, and the identification of its presence makes an important contribution to service research.

However, the fifth study still leaves a few questions unanswered. One question is the reaction of customers that perceived to have experienced a failure, but were not considered eligible for service guarantee recovery by the company. We selected 10% of the respondents for the study to be customers who had not been reimbursed, as this resembles the relation between accepted and non-accepted guarantee invocations, and we received almost 10% of the replies from customers who had not been reimbursed. In our study, there are indications that these customers whose claims had been refused nevertheless value the presence of a service guarantee, but we acknowledge that a greater number of respondents should be examined. We also identify the need to conduct research where customers are asked direct questions about how justice in distributions, interaction, and procedures are valued. This is identified because our findings can be interpreted as if the recovery paradox is positively reinforced after guarantee use, but by procedures instead of interactions, which is opposite from what previous research in this under-researched area has suggested.

Apart from identifying the recovery paradox, the service guarantee was found to influence the outcome of service recovery for two reasons (study IV). The suggestion that the guarantee’s pre-planned ability to cope with a failure would influence customers positively was confirmed by the interviews on which the study was based. After the failure, when the customer discovers the presence of the guarantee, they are relieved to hear of the pre-planned procedure for failures, which makes it easier to express their dissatisfaction to the company. It was also identified, however, that the guarantee may put too much emphasis on economic reimbursement, and it may diminish the importance of employee’s empathetic and apologetic behavior. If customers are new to the service, this had a negative impact on the outcome of the recovery.
In summary, the main contributions of this dissertation that have added to the understanding of service guarantees in managing services are threefold; first, that post-use implications of service guarantees “in action” have been presented which is something that has been overlooked in previous research, second, that the service guarantee sends its strongest marketing signal once the failure has occurred because customers fail to notice the guarantee unless there is an obvious need for it which strongly questions the value of previous research that assumes that customers are aware of the guarantee and measure its influence based on that awareness, and third, that the recovery paradox was confirmed, i.e., indicating that customers are more satisfied after using the guarantee than had they not experienced a failure at all. The paradox has been poorly researched as a whole in service management and not at all regarding service guarantees, but is of great value in managing services. It substantiated that a failure that is handled well, can indeed be turned into a success. In addition, the contributions to service research on employees and service development were identified earlier in this section, and should not be overlooked.

**Future Research**

Based on the review of previous research, a number of research needs were identified. Some have been covered in this dissertation; for example, the wider understanding for service guarantees in managing services has been provided through a number of empirical studies. In addition, the guarantee has been viewed in its entirety without isolating it from its service context. The contributions of doing so have already been argued for. However, a number of research needs remain to be addressed. As the empirical data in this dissertation is rich, and has been exploratory, the understanding of service guarantees could focus on theoretically explaining and examining these findings. It would of course be natural to further explore the fact that the guarantee has been found to be of less importance before purchase, but more so after failure.

There are also questions that warrant further empirical studies. For example, the fact that only guarantees that are successful have been examined; it was earlier mentioned that “effective” or “well-implemented” guarantees were argued to influence the company positively, and that the guidelines suggested for development of a guarantee are one-sided. They are exclusively based on success stories, and it does not ask the important
questions of why one company has succeeded and another has failed with virtually identical guarantees. Perhaps more importantly, the effects of such a “less-than-perfect” guarantee on service companies are unknown. This should be empirically addressed in future research, and would be of great use to both researchers and practitioners.

Related to the five studies, there are indications that the attitude and behavior of the employee is imperative for a successful recovery, and that surprisingly, customers place little value on the actions taken by employees when it comes to service guarantees. Is this a contradiction, and how should we interpret these results? In study III and V, customers expressed that employee behavior during the service guarantee invocation was of minor importance to them, at least in comparison to other aspects that influence their expectations and satisfaction. In study III, the customers stated what they expected from a service guarantee, and how they were treated by employees did not rank high in their expectations. Instead, the procedures for how the guarantee was invoked, how the customers would receive reimbursement, and alternative measures to solve the customers’ problems were mentioned. In study V, the significant drivers of satisfaction in order of importance, were confidence, comprehensible rules and meaningfulness of the guarantee, and refund. Treatment during the invocation was measured, but was not found to be significant. Although employee behavior usually is an important aspect of service delivery, this was not found when direct evaluations of the guarantee were measured.

The explanations for these findings could be many. One explanation is that we asked only the customers who had invoked the service guarantee about their expectations and evaluation of the guarantee. This could have influenced the customers in their evaluation of the guarantee. In retrospect, they may have concluded that their expectations must be met in order to receive the refund. If customer expectations on a guarantee are to be fully understood, research should also take into account those customers who have not used a guarantee. From such research, we can determine if customers value the procedures and outcomes of the guarantee recovery as more important than what has been suggested in most other recovery research (that the interaction is what matters most to customers). Perhaps the promise of a refund tells the customer to focus on the distribution and the pre-set procedures instead of the less tangible aspects of interaction. These thoughts deserve future research.
The employee is of importance also for other reasons; in both study II and IV, the companies give evidence that, at least according to the company officials, the employees have received proper information and training about how the guarantee should be used. Nevertheless, employees did not use the guarantee in accordance with their training. In study II, the overall impression was that very few of the employees had knowledge of the guarantee and how it was intended to be used. It should interest the academia foremost that the personnel’s low awareness of the guarantee is not mediated, but instead was diminished by the employees’ attentiveness as they expressed incorrect replies to the customers’ questions. Study V also touches on the central role of how employees carry out the service guarantee and perform in that interaction with customers. In this case, the guarantee influenced employee behavior, but it seemed as if the employees put more emphasis on the possibility of compensating customers than on solving the actual problem and being apologetic to the unsatisfied customer. More empirical research is needed to substantiate whether this finding is unique to this context and type of guarantee, or if it has more general implications for service guarantee use. Empirically, a question to follow is how employees are trained in the use of service guarantees. Another question relates to the fact that companies only seem to be able to carry out one or two steps of the entire recovery process, even when using a service guarantee which have been argued to counteract precisely that.

In light of the results of these five studies it can be identified that additional empirical research on service guarantees is still needed. In the near future, however, a meta-analysis of the concept would contribute to a more advanced conceptual framework regarding service guarantees.
REFERENCES


The Role of Service Guarantees in Managing Services

Service guarantees have been argued to have many roles in managing services, for instance signal service quality, attract new customers, increase satisfaction and retention, and to differentiate the company from its competitors. Despite a growing interest from service organizations, research on service guarantees has been surprisingly scarce. The aim of this dissertation is to provide a wider understanding of the roles of service guarantees.

Data is gathered from actual customers (as opposed to fictitious participants of an experiment) and/or employees regarding service guarantees in three different service contexts. The methods used to gather and analyze the data were manifold and includes personal interviews, Mystery Shopping observations, focus group interviews and a postal survey.

The results represent new knowledge when it comes to the roles of service guarantees in managing services. Previous research has almost exclusively addressed pre-purchase effects of the service guarantee, but has failed to address the impact of the service guarantee after it has been used. Therefore, the most important contribution to service research of this dissertation concern the understanding of service guarantees “in action” and the post-use effects of a service guarantee in real service settings.

Another contribution is the identification of the recovery paradox; that the customer is more satisfied with the service after he or she has used the service guarantee, than before he or she experienced the original service failure. This result strongly suggests that the use of a service guarantee can make a fruitful contribution in the managing of services.