

# Twenty Years of Service Guarantee Research

## A Synthesis

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During the past two decades, service guarantees have received increased attention as a means for service firms to attract and retain customers and gain a competitive edge in the marketplace. Although many academic studies, referring to diverse service guarantee aspects, have appeared during this time, a synthesis of research is needed to clarify what researchers have learned about service guarantees and what remains unknown. To evaluate the state of published research on service guarantees, 109 articles published from 1985 to 2008 are collected and analyzed. The resultant review reveals a significant change in the type of research being performed, including a shift toward greater interest in the impact of service guarantees on consumer behavior and service firms. However, a significant shortfall marks empirical work directed toward the internal and operational effects of service guarantees. The effects of service guarantees on service performance, service recovery, and return on service guarantee investments are topics in need of further research.

**Keywords:** *service guarantees; research synthesis; service marketing; service recovery*

Both practitioners and academics consider service guarantees effective means for service firms to attract and retain customers and gain a competitive edge in the marketplace (Wirtz and Kum 2004). Because the characteristics of services yield greater perceived risk associated with the purchase decision than products do (Murray and Schlacter 1990; San Martín and Camarero 2005), service providers implement service guarantees to reduce consumers' perceptions of risk (Boshoff 2002; Lei, de Ruyter, and Wetzels 2008; Rust and Chung 2006). Moreover, they may provide powerful instruments that contribute to the customer-focused marketing strategy of service firms. In particular, service guarantees serve as extrinsic cues to signal service quality (Ostrom and Iacobucci 1998), enhance customer satisfaction (McCollough and Gremler 1999), increase service employees' motivation to deliver quality service (Hays and Hill 2001b, 2006a), and provide firms with useful information about customer needs (Björlin-Lidén and Sandén 2004). Furthermore, service guarantees may provide an effective service recovery instrument (Björlin-Lidén and Skalén 2003).

Although the discussion of guarantees for intangible service offerings first appeared in the mid-1980s, its breakthrough in the literature came in the form of a seminal

article by Hart (1988) that emphasized the possibility that service guarantees could enable firms to achieve a differential advantage over competitors and gain market share. Hart's call to implement guarantees for service offerings provided the basis for a new stream of research. In the 20 years since his article appeared, journals on marketing, management, and related topics have published 119 articles on service guarantees. This stream of research has examined service guarantees as a tool that affects both the marketing strategy of a firm and service operations and, in so doing, has transferred the challenges and opportunities of service marketing (Rust and Chung 2006) to the marketing instrument of guarantees.

This study presents a research synthesis to clarify what scholars have learned about service guarantees during the

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past 20 years. The synthesis describes the progress of research in this domain, including trends in research topics and the evolution of methodologies used to study this topic over time. A comprehensive review of this literature serves to systemize and appraise existing work and thereby reveal which issues require further attention. In particular, we contribute to service literature in three primary ways: First, we review work that has been published on service guarantees over the past 20 years. Second, we identify which and how research topics have evolved and summarize the current state of knowledge about service guarantees. Third, on the basis of a comprehensive discussion of the current state of the literature, we provide an agenda for further research.

We organize the remainder of this article as follows: After a brief methodological description, we present a review of conceptual and empirical articles pertaining to service guarantees published over the past two decades. We close with a discussion of research implications.

## Methodology

To assess the state of service guarantee research, we analyze conceptual and empirical articles published between 1985 and 2008. Several information sources help us identify relevant articles. First, we reveal publications in service-related journals from the EBSCO/Business Source Premier electronic database, using the search term “service guarantee.” Second, we supplement our research with careful screenings of service journals and conference proceedings, including the *Journal of Service Research*, *Journal of Retailing*, *International Journal of Service Industry Management*, *Journal of Services Marketing*, *Managing Service Quality*, and *Service Industries Journal*, as well as conference proceedings of the American Marketing Association Educators’ Conferences, Quality in Services Conference, Frontiers in Service Conference, and American Marketing Association Services Special Interest Group Research Conference. Third, we screen the references in each collected service guarantee paper to find any additional articles. This approach is consistent with previous recommendations (e.g., Cooper 1998) and follows the steps taken in prior literature reviews and meta-analyses (e.g., Eisend 2006; Gremler 2004). Overall, we collect 119 articles that focus on service guarantees.

By focusing explicitly on service guarantees, our study excludes articles pertaining to two related but different concepts—namely, service-level agreements and product warranties. A *service-level agreement* refers to a contract between the service provider and its customers that “quantifies the minimum quality of service which

meets the business need” (Hiles 1994, p. 14). Comparing this definition with the characteristics of a service guarantee, Van Ossel and Gemmel (2003) note several differences. First, a service-level agreement is a customized contract that requires the confirmation of both the service provider and the customer. In contrast, a service guarantee is a unilateral promise, determined only by the service provider and focused on what the firm believes is relevant (e.g., the parcel will be delivered within 24 hours). Second, a service guarantee generally is offered with the same parameters to all customers of a firm and serves as a standardized marketing tool; a service-level agreement is specified separately for each customer. Thus, a service-level agreement is a bilateral contract, which means that both the service provider and the customer specify what each will contribute to the service outcome. In service guarantees, in contrast, the customer’s contribution typically takes the form of a restriction and is not negotiated before service delivery (Van Ossel and Gemmel 2003).

Third, the two constructs communicate their core function (i.e., to ensure delivery of quality service) differently. Whereas a service guarantee generally serves as a promotional tool that service providers offer prior to purchase to reduce consumers’ prepurchase risk, a service-level agreement gets communicated during the service-level agreement’s negotiation process and is therefore not promotional by nature. Fourth, penalties are an indispensable part of the service-level agreement contract (Hiles 2000). Because of the contractual nature of a service-level agreement, the specified penalties are enforceable in court. A written contract with negotiated penalties, enforceable in court, establishes service-level agreements as economic institutions (North 1991; Williamson 1996) that “steer individual behavior in a particular direction” and “[provide] structure to everyday activity and thus reduce uncertainty” (Furubotn and Richter 1998, p. 6). In contrast, service guarantees mostly take the form of a promise, which does not necessarily imply compensation that is legally binding. For these reasons, we limit our focus to service guarantees and exclude research on service-level agreements from our synthesis.

*Product warranties* also are not included in our study because they differ from service guarantees in terms of their scope. When tangible products fail, the associated warranty generally promises to repair or replace the product (for a detailed discussion of the product warranty literature, see Grossman 1981; Kelley 1988, 1996; Lutz 1996; Murthy and Djameludin 2002; Priest 1981; Shimp and Bearden 1982). However, the characteristics of services generally mean that services cannot be

repaired or replaced after their delivery, so service guarantees require different forms of compensation. Moreover, product warranties are directly connected to tangible objects and focus on characteristics of the offering that can be evaluated objectively (e.g., the television will not break down for 5 years). For services, in contrast, the evaluation of the offering by the customer is often subjective (e.g., the hotel stay was satisfactory). Thus, the design of service guarantees differs from product warranties with regard to the promise made (fully functional product vs. satisfactory service experience) and the compensation offered (generally repair or replacement vs. [monetary] remuneration).

Another reason to exclude product warranties from our study is that products often rely on laws that govern the design of warranties and what they must cover (for a detailed discussion of warranty law, see Blischke and Murthy 1996). To illustrate, in the United States, warranty law regulates the design and scope of product warranties (e.g., remedies, time limits; Emerson 2004; Hamilton and Petty 2001; Kubasek et al. 2009; Mann and Roberts 2008; Murthy and Djameludin 2002; Preston 1997); the European Union requires products to be sold with accompanying warranties (Hamilton and Petty 2001; Murthy and Djameludin 2002). Therefore, implied warranties are usually not an important aspect in the promotion strategy of a product supplier. Service guarantees, however, are generally not covered by specific (legal) regulations, are not required by law, and provide greater latitude in their design (Hamilton and Petty 2001). Thus, the domain for a product warranty is usually quite limited compared with a service guarantee. Service guarantees can be, and often are, used as a promotional tool to differentiate a firm from its competitors, whereas the promotional use of product warranties is usually quite limited. For these reasons, we exclude product warranties from our research.

To evaluate the service guarantee studies, we code for several characteristics of each article, including categories that refer directly to the instrument of the service guarantee (e.g., type of service guarantee analyzed, whether the analysis focuses on the promotional or operational outcomes of the guarantee, whether the article analyzes dimensions describing the service guarantee's design components), as well as broader labels for the articles in general (e.g., article type [empirical or conceptual], research topic, industry context, conceptual or theoretical foundation, data collection and sampling methods, data analysis method). The next section provides an overview of our findings.

## Review of Service Guarantee Literature

### Conceptual Definition

Because no clear consensus exists for a definition of the service guarantee construct (Kashyap 2001), we begin by specifying a domain for the term and identifying the major components of a service guarantee. Those components form the basis for the criteria we use to include a study in the final data set. In screening the literature for different service guarantee definitions (see Table 1), we find that most definitions consider a service guarantee a promise or policy that the customer will be insured against failures caused by the service provider. Service guarantees can include promises regarding the outcome of the service, the service delivery process, or specific marketing mix elements (e.g., price). In addition, service guarantees apply to service components that come with a purchased good (Rust and Chung 2006). These service components might include delivery services, after-sales services, or a promise about the lowest price level in the category in the form of a price-matching guarantee—a service provided by a retailer to reduce consumer search costs. Thus, we regard the expression of a *promise* about the quality of service attributes or the service as a whole as the core component of a service guarantee definition. To increase the credibility of the promise, the service guarantees in Table 1 also contain compensation as a significant feature. Without an offer of compensation, which can be monetary or nonmonetary, a service guarantee is an unsubstantiated promise. Including a penalty in the form of compensation for the customer creates a more powerful instrument by punishing the provider for any misbehavior (Williamson 1985). Therefore, we contend that a *remuneration* component should be included as part of a definition of the term *service guarantee*. Thus, we propose the following definition:

A service guarantee is an explicit promise made by the service provider to (a) deliver a certain level of service to satisfy the customer and (b) remunerate the customer if the service is not sufficiently delivered.

We include studies in our synthesis data set only if they feature a service guarantee that contains both a promise about the qualities of a service offering, parts of the service delivery process, or specific elements of the marketing mix *and* an offer of remuneration if the service provider fails to keep its promise. Therefore, we exclude 10 articles that do not meet these requirements, leaving us with 109 studies in our sample.

**Table 1**  
**Representative Service Guarantee Definitions**

Source	Definition
Baker and Collier (2005, p. 197)	"A service guarantee promises the customer that if the service delivery system does not meet certain performance standards, the customer is entitled to an economic and/or noneconomic payout."
Boshoff (2002, p. 292)	"A service guarantee is a tangible manifestation of the reliability of the service."
Björölin-Lidén and Skalén (2003, p. 39)	"To guarantee a service simply means to present measures for service quality and to offer compensation in case when the promised quality is not achieved."
Fruchter and Gerstner (1999, p. 314)	"Satisfaction Guaranteed [ <i>is</i> ] defined as a selling policy assuring that no consumer would be worse off after purchase."
Hart, Schlesinger, and Maher (1992, p. 20)	"A guarantee is simply a statement explaining [ <i>what</i> ] the service customers can expect (the promise) and what the company will do if it fails to deliver (the payout)."
Hays and Hill (2001b, p. 405)	"A service guarantee is a promise by a firm that they will perform at a certain level, and, if that level is not met, the firm also promises to compensate the customer in some way."
Kashyap (2001, p. 2)	"A guarantee contains two typical elements: (1) a service promise or pledge that expresses the firm's willingness to engage in behaviors considered desirable by its customers and (2) a compensation offer in case of service failure."
Marvin (1992, p. 109)	"A service guarantee is simply a policy, advertised or unadvertised, that unconditionally commits the operation to making its guests happy."
Owen (2004, p. 58)	"A satisfaction guarantee is an affirmation by the seller that assures buyer satisfaction, promising to take the buyer to a pre-purchase state (e.g., replacement or money back) rather than offering any changes to the product if the seller is not satisfied, whether or not the product performed as intended by the seller or as wanted by the buyer."
Sum et al. (2002, p. 348)	"A service guarantee is a promise by a company to compensate the customer in some way if the defined level of service delivered is not duly met."

## Research Topics

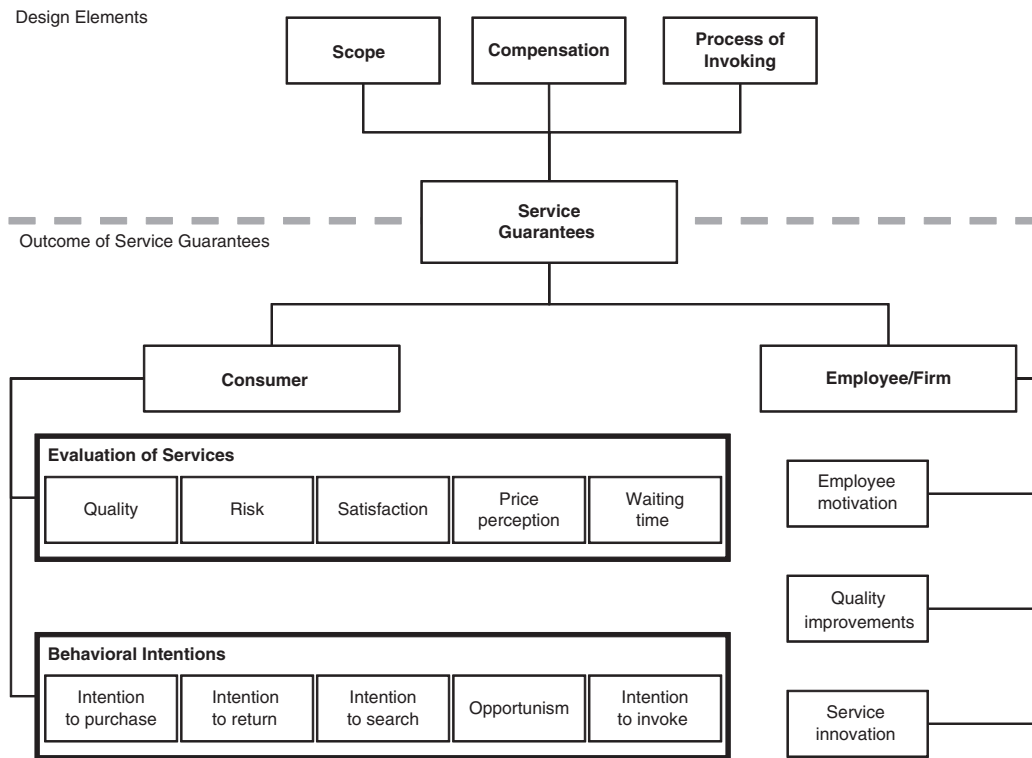
Our review suggests a considerable range of topics addressed by service guarantee researchers; the main streams of research are graphically depicted in Figure 1, and the frequency of article topics are listed in Table 2. Overall, research on service guarantees consists of studies that examine service guarantee design and those focused on the outcomes of a service guarantee.

*Design elements.* As indicated in Table 2, 30 studies (28% of the entire sample) focus on the design elements of a service guarantee. A design element refers to the information provided by the guarantee (e.g., compensation, coverage) as well as the method of communicating this information. Among these 30 studies, 11 aim to identify the most effective service guarantee scope—that is, the extent of coverage of a guarantee. Academics have examined, for example, whether service guarantees should be unconditional or focus on specific aspects of service. Another 3 studies consider the optimal amount of compensation promised, and 2 studies analyze the design of the process required to invoke a service guarantee after a service failure. The remaining 14 studies investigate the (situational) conditions in which a service guarantee works best

(e.g., interaction of the service provider's reputation with the service guarantee's impact on consumer behavior, positioning of a service guarantee).

*Reflections on design elements.* We detect a trend of continuing interest by researchers in the design of service guarantees over time (for the distribution of the topics over time, see Table 3). One explanation for the continued importance of research on design issues is that as service guarantees expand into some service industries, scholars attempt to assess the optimum service guarantee scope in these new settings. Research on price-matching guarantees in retail environments remains one of the main foci of this domain. Moreover, studies indicate that a service guarantee with specific elements (e.g., detailed information about what the guarantee will cover, such as a promise that the check-in process will not last longer than 5 minutes) may be more effective than a pure unconditional guarantee (McDougall, Levesque, and VanderPlaat 1998; Wirtz and Kum 2001). However, because consumers seem to need additional information to rate a service guarantee as a credible signal, researchers continue to evaluate the specific information that must be communicated to enhance the service guarantee's credibility and, therefore, effectiveness.

**Figure 1**  
**Service Guarantee Research Streams**



To create meaningful service guarantees, firms must design their compensation very carefully. Studies have found, for instance, that a greater amount of compensation increases consumers' intentions to buy but does not significantly affect consumer cheating when service guarantees are used. However, with only three studies focusing on this specific design element, this important topic has not been addressed sufficiently.

Three major issues arise from our analysis of the literature that should receive attention in future service guarantee research. First, studies do not provide information about the optimum amount of compensation; second, they lack a clear pattern that describes the relationship between variations in the amount of compensation and the effectiveness of the service guarantee; and third, they do not examine other forms of compensation (e.g., nonmonetary remuneration) and their effectiveness in comparison to service guarantees that offer financial compensation. This gap is somewhat surprising, because scholars stress the crucial role of compensation for guarantees' effectiveness (e.g., Cooper and Ross 1985, 1988). Moreover, Thwaites and Williams (2006) contend that customers do not always seek financial compensation, especially if a service failure can be corrected immediately. Particularly in cases in which monetary compensation cannot adequately

compensate a customer after a service failure, other forms of remuneration need to be identified (Bolton, Grewal, and Levy 2007). The limited number of service guarantee studies that stress compensation, and therefore design issues, highlights the need for more attention from scholars on this topic.

A topic connected to the compensation provided to the customer after a service failure is the process of invoking the service guarantee. Firms that make invoking the guarantee difficult may avoid opportunistic customer behavior (Hart 1993), though the limited empirical research on this issue (two studies) does not support this hypothesis (e.g., Wirtz and Kum 2004). Thus, we perceive the need for more research on this topic. For example, future research could analyze whether the process or the conditions of invoking the service guarantee cause consumer reactions other than opportunistic behavior. In addition, a guarantee that is easy to invoke might be interpreted by the consumer as more credible and therefore lead to a greater purchase probability.

*Service guarantee outcomes.* Two types of outcomes appear in previous studies: consumer related and employee or firm related. As we show in Table 2, approximately half of the studies (57 studies, or 52% of the

**Table 2**  
**Distribution of Service Guarantee Research Topics**

Research Topic	Conceptual Studies	Qualitative Empirical Studies	Quantitative Empirical Studies	Row Total
<b>Design elements</b>				
Scope	4	1	6	11
Compensation	1	1	2	3 <sup>a</sup>
Process of invoking	—	—	2	2
Other	8	5	1	14
Total	13	7	11	30 <sup>a</sup>
<b>Evaluation of services</b>				
Perceived service quality	1	1	4	6
Perceived risk	5	1	4	10
Customer satisfaction	2	3	8	13
Perception of price level	3	—	8	11
Perception of waiting time	1	—	2	3
Total	12	5	26	43
<b>Consumer behavioral intentions</b>				
Intention to purchase	1	1	3	5
Intention to return	1	—	3	4
Intention to search	—	—	2	2
Consumer opportunism	1	—	1	2
Intention to invoke the guarantee	—	—	1	1
Total	3	1	10	14
<b>Effect on employees or the service firm</b>				
Employee motivation and learning	2	—	4	6
Quality improvements	1	2	5	8
Service development and innovation	1	1	—	2
Total	4	3	9	12 <sup>b</sup>
<b>Other Issues</b>				
	6	1	3	10
Column total	38	16 <sup>a</sup>	55 <sup>b</sup>	109 <sup>a,b</sup>

a. Some studies use both qualitative and quantitative data analysis techniques. To avoid double-counting these studies, we adjust the totals of the columns and rows.

b. Some studies focus on both quality improvements and the impact of service guarantees on employees motivation and learning. To avoid double-counting these studies, we adjust the totals of the columns and rows.

entire sample) analyze consumer-focused effects of service guarantees, with a general concentration on consumers' evaluation of services or their behavioral intentions resulting from the offering of a service guarantee.

Because of the intangible nature of services, the quality of a service offering is difficult to assess prior to purchase (San Martín and Camarero 2005). Thus, it may not be surprising that the service guarantee's impact on the evaluation of services is the most frequently researched topic depicted in Figure 1 (43 studies or 39% of the entire sample). These studies investigate the impact of service guarantees on customer satisfaction (13 studies), the perception of price levels (11 studies), perceived risk (10 studies), perceived service quality (6 studies), and waiting or process time perceptions (3 studies).

How service guarantees influence consumers' behavioral intentions is the subject of 14 studies (13% of the entire sample). Among this group, 5 studies focus on the impact of service guarantees on the intention to purchase, whereas 4 look for a lasting effect of service guarantees on the intention to return to the service provider. The remaining 5 studies consider the effect of service guarantees on consumers' intention to search for alternatives, analyze service guarantee elements that affect the intention to invoke the guarantee, or investigate the impact of service guarantees on consumers' opportunistic behavior.

Twelve articles (11% of the entire sample) focus on the influence of service guarantees on internal service processes or employee or management behavior. Eight of these studies examine the impact of a service guarantee on the overall service quality delivered, whereas two

**Table 3**  
**Distribution of Topics Over Time**

Topic	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	Row Total
Design elements	1			1	2	1	1	1	1	1	3	1	1	1	2	3	2	2	1	2	3	2	2	1	30
Perceived service quality								1			2			1			1	1							6
Perceived risk														2		1	2	1	1		1			2	10
Customer satisfaction					1						1	1	1	3		1	1	2		2	1				13
Perception of price level			1										2			1	2		1	1	1	2	1		11
Perception of waiting time	1		1										1												3
Intention to purchase														1		1			2			1			5
Intention to return																						3	1		4
Intention to search																		1			1				2
Consumer opportunism																				1					2
Intention to invoke the guarantee																						1			1
Employee motivation and learning														1		1	1					1			6
Quality improvements																1	2			1	1			1	8
Service development and innovation																1				1					2
Other issues												1		1		2				3	1			1	10
Column total	2	0	1	2	3	2	1	5	1	0	6	3	5	7 <sup>a</sup>	6	8 <sup>a</sup>	12 <sup>a</sup>	5	4	11	8	8 <sup>a</sup>	4	5 <sup>b</sup>	109 <sup>b</sup>

a. Some studies focus on both on quality improvements and the impact of service guarantees on employee motivation and learning. To avoid double-counting these studies, the totals of the columns and rows are adjusted.

b. Forthcoming papers have been assigned to the last period.

mainly address their impact on employees' motivation and learning. The way in which service guarantees can assist firms in gaining important information about customer needs through the service recovery process is the subject of the remaining two articles.

*Reflections on service guarantee outcomes.* Although scholars suggest that service guarantees are both a marketing and a service operations tool (Ostrom and Hart 2000; Wirtz 1998; Wirtz and Kum 2000), nearly all of the conceptual or empirical research on service guarantees focuses on their promotional and marketing effects (95 papers or 87%). We identify only 12 papers, mostly written by the same team of authors (i.e., Julie Hays and Arthur Hill), that examine the operational aspects of service guarantees. The remaining 2 are conceptual papers that combine an operational and a marketing perspective of service guarantees in their analysis. Thus, most studies look at neither the consequences that the implementation of a service guarantee may have on service operations nor its effect on service employees.

One trend in the literature we observe is that early service guarantee research primarily centered on the impact of service guarantees on prepurchase effects (e.g., as a signal of the quality of the service prior to purchase); in more recent studies, postpurchase effects of service guarantees receive more attention (see Table 3). Research on consumer behavior resulting from the presence of a service guarantee is a topic of increasing interest, followed by the effects of service guarantees on the firm. These two areas of focus mirror a trend in recent marketing research to concentrate on the lasting effects of marketing decisions (Kamakura et al. 2002; Rust, Lemon, and Zeithaml 2004), such as their impact on customer loyalty or profits (Zeithaml 2000).

We note some deficiencies in the literature relating to the outcomes of service guarantees. As we point out in Table 4, the literature indicates that service guarantees increase consumers' perceived quality, reduce the perception of risk, have a positive impact on customer satisfaction, and lead to a higher probability of purchase or return to the service provider. However, we also uncover contrary or missing results in the literature that demand further examination. For example, although service guarantees reduce the consumer's perceived risk prior to purchase (e.g., Björilin-Lidén and Edvardsson 2003; Boshoff 2002; Ostrom and Iacobucci 1998), we find no consistent results regarding which elements of a service guarantee cause this reduction of risk. In line with our discussion about the design of service guarantees, service researchers have not been able to determine the most effective service guarantee design to assist consumers'

prepurchase service evaluations. Whereas conceptual research on service guarantees recommends the exclusive use of unconditional 100% satisfaction guarantees (Hart 2000), empirical research has not confirmed this recommendation (McDougall, Levesque, and VanderPlaat 1998; Wirtz and Kum 2001). Instead, scholars find a 100% satisfaction guarantee that limits satisfaction to certain aspects of the service (e.g., the speed of delivery of an item, the variety of choices in the wine list of a restaurant) is most valuable to customers. Thus, more empirical work should consider the role of service guarantees within consumers' evaluation processes to understand the instrument better and create more effective guarantee designs.

Some service providers fear the abuse of service guarantees by customers. Hence, many managers describe the problem of consumer opportunism as a key barrier to their implementation of service guarantees (Wirtz 1998; Wirtz and Kum 2004). Few papers refer to this postpurchase topic, so there is no clear evidence about whether service guarantees are indeed victims of consumer opportunism. To detect the determinants of consumer opportunism on service guarantees and identify the most promising tools to limit opportunistic behavior, more empirical papers should pursue this topic. Such insights might help firms implement service guarantees that limit any consumer opportunism caused by service guarantees.

Regarding the effects of service guarantees on the service firm, neither Table 2 nor Table 4 provides much evidence about their role in driving service innovation. This gap is surprising, because service innovation is a topic of great importance in service research (Michel, Brown, and Gallan 2008) and a determinant of competitive success in global markets (Bitner and Brown 2008). There is a question in the service innovation literature as to which tools should be implemented for a "proactive understanding of the customer" (Michel, Brown, and Gallan 2008, p. 54). Service guarantees could provide just such an instrument to understand customer needs and focus service innovation on the customer. As one study (i.e., Björilin-Lidén and Sandén 2004) shows, service guarantees can help generate insights into customer preferences. We suggest that scholars should carefully consider the potentially close connection between service guarantees and service innovations. For example, research might address how to use service guarantees as a tool to incentivize and systemize customer feedback; such information subsequently could guide service improvements and innovations. Research also should analyze whether the implementation of a service guarantee might assist in the implementation of formal service



**Table 4**  
**Service Guarantee Research Topics**

Topic	Description	Representative Studies	Main Findings
<i>Service guarantee design</i>			
Scope	Research assessing the coverage and content of a service guarantee	Björlin-Lidén and Edvardsson (2003) Hart (1990) Hill, Hays, and Naveh (2000) Kennett, Bernhardt, and Sneath (1999) McDougall et al. (1998) Wirtz and Kum (2001)	<ul style="list-style-type: none"> <li>• Customers prefer clear and credible service guarantee formulations.</li> <li>• Conceptual research recommends the use of pure, unconditional service guarantees.</li> <li>• Empirical work shows the superiority of specific service guarantees.</li> </ul>
Compensation	Theoretical and empirical analyses of the most effective compensation offered by a service guarantee	Baker and Collier (2005) Kukar-Kinney, Walters, and MacKenzie (2007) Schmidt and Kernan (1985)	<ul style="list-style-type: none"> <li>• No clear pattern emerges regarding how to design the compensation of a service guarantee.</li> <li>• Research to date has not determined an optimum amount of compensation. Depending on the service, monetary compensation anywhere between 0% and 100% of the money back may be appropriate.</li> <li>• Some research indicates a positive effect of a greater amount of compensation on the intention to buy.</li> <li>• Overcompensation (i.e., more than 100% of the value of the service) may not, depending of the context, be evaluated positively by consumers.</li> </ul>
Process of invoking	Research analyzing the design of the process of invoking a service guarantee	Björlin-Lidén and Edvardsson (2003) Hart (1993) Wirtz and Kum (2004)	<ul style="list-style-type: none"> <li>• Some work finds precise and fair rules of invoking the guarantee after a service failure to be most appropriate.</li> <li>• Consumers expect the rules of invoking the guarantee to be communicated by the service guarantee.</li> </ul>
<i>Consumer outcomes of a service guarantee</i>			
Perceived quality	Assessment of the impact of service guarantees on the perceived service quality	Andaleeb and Basu (1998) Bolton and Drew (1995) Erevelles, Roy, and Yip (2001) Lewis (1993)	<ul style="list-style-type: none"> <li>• The presence of a service guarantee positively influences the customer's evaluation of service quality.</li> <li>• Service guarantees are a credible signal of service quality.</li> </ul>
Perceived risk	Work that evaluates the effect of the presence of a service guarantee on perceived risk or uncertainty	Boshoff (2002) Björlin-Lidén and Skalén (2003) Kandampully and Butler (2001) Ostrom and Iacobucci (1998)	<ul style="list-style-type: none"> <li>• Service guarantees reduce the consumer's perception of risk.</li> <li>• The reduction of risk is greater for industries with a high variance of quality.</li> <li>• A service guarantee has a more positive impact on the evaluation of the service for low-quality service offerings compared with high-quality services.</li> <li>• No clear pattern emerges regarding whether unconditional or specific service guarantees are better for reducing consumers' perceived risk.</li> </ul>
Satisfaction	Impact of service guarantees on customers' postpurchase evaluation of a service	Hocutt and Bowers (2005) McCullough and Gremler (2004) Sarel and Marmorstein (2001) Tucci and Talaga (1997)	<ul style="list-style-type: none"> <li>• The presence of a service guarantee positively influences customer satisfaction.</li> <li>• Service guarantees can increase customer satisfaction by decreasing anger of the customer after a service failure has occurred.</li> <li>• Satisfaction with the service recovery process initiated by a service guarantee will decrease negative word of mouth.</li> </ul>

(continued)

**Table 4 (Continued)**

Topic	Description	Representative Studies	Main Findings
<i>Consumer outcomes of a service guarantee (continued)</i>			
Price perception	The impact of low price or price-matching guarantees on the evaluation of the overall price level	Biswas, Dutta, and Pullig (2006) Jain and Srivastava (2000) Kukar-Kinney and Grewal (2007) Lurie and Srivastava (2005)	<ul style="list-style-type: none"> <li>• In most instances, low price and price-matching guarantees are perceived as reliable signals of a store's low-price level.</li> <li>• When a price-matching guarantee is present, consumers only perceive the prices set by a retailer to be below average, not to be the lowest overall.</li> <li>• In the case of a low-price guarantee, not meeting customer expectations of the lowest price in the category will decrease the retailer's credibility and the repurchase intentions of the customer.</li> </ul>
Perception of waiting time	Work that advances understanding of the perception of waiting and delivery times when offering a service guarantee	Fram (1985) Fram and DuBrin (1988) Kumar, Kalwani, and Dada (1997)	<ul style="list-style-type: none"> <li>• Providing a waiting time guarantee can affect overall consumer satisfaction positively only in the case that the customer observes the service time to be less than expected.</li> <li>• If the customer perceives the service time to be more than expected, the positive effect of a waiting time guarantee will decrease.</li> </ul>
Intention to purchase	Research on the impact of service guarantees on the intention to purchase the service	Boshoff (2003) Kennett, Sneath, and Menon (1999) Kukar-Kinney and Walters (2003)	<ul style="list-style-type: none"> <li>• Conceptually, service guarantees are assumed to have a positive impact on the intention to purchase.</li> <li>• Empirically, the positive impact on the intention to buy is confirmed for hotel and parcel service guarantees but not for restaurants.</li> </ul>
Intention to return	Studies that analyze the long-term effects of a service guarantee on the intention to return to the service provider in the future	Dutta, Biswas, and Grewal (2007) Hays and Hill (2006a) Kukar-Kinney (2006) McWilliams and Gerstner (2006)	<ul style="list-style-type: none"> <li>• Service guarantees show positive long-term effects on customer intentions to return.</li> <li>• An important driver of customer intention to return is service quality, which is influenced by the service guarantee's effect on the employees' motivation to deliver quality service.</li> </ul>
Intention to search	Assessment of the impact of service guarantees and price-matching guarantees on the intention to search for alternatives	Biswas, Pullig, Yagci, and Dean (2002) Dutta and Biswas (2005)	<ul style="list-style-type: none"> <li>• Consumers are more likely to engage in searching for alternatives when a purchase is made under a low-price guarantee than in a situation where no guarantee is present.</li> <li>• The relationship between a low-price guarantee and the intention to search is moderated by the price image of the store.</li> </ul>
Consumer opportunism	Articles that analyze whether service guarantees induce consumer opportunistic behavior	Chu, Gerstner, and Hess (1998) Wirtz and Kum (2004)	<ul style="list-style-type: none"> <li>• Conceptual studies argue that the presence of a service guarantee will yield consumer opportunistic behavior.</li> <li>• This opportunistic behavior is influenced by generous refunds provided with the service guarantee.</li> <li>• A greater amount of compensation does not lead to increased opportunistic behavior or consumer cheating on service guarantees.</li> <li>• The problem of consumer cheating on service guarantees decreases when consumers are generally satisfied with the service provider and plan to repeat purchase services from that provider.</li> </ul>

*(continued)*

**Table 4 (Continued)**

Topic	Description	Representative Studies	Main Findings
<i>Firm outcomes of a service guarantee</i>			
Employee motivation and learning	Work that deals with the impact of service guarantees on employees' behavior (e.g., motivation to deliver quality service, learning through service failures)	Hays and Hill (2001a, 2001b, 2006a) Hays, Hill, and Geurs (2000) Lawrence and McCollough (2001, 2004)	<ul style="list-style-type: none"> <li>• By setting clear quality standards, service guarantees can enhance employees' motivation and vision to deliver a service of high quality.</li> <li>• Service guarantees do not directly affect employee learning through a service failure. However, a service guarantee can have a mediated effect on learning through a service failure via an increase of the employees' motivation and vision to deliver a service of high quality.</li> </ul>
Quality improvements	Studies that analyze how service guarantees influence service quality improvements	Chen et al. (2009) Hays and Hill (2001b, 2006a) Hays, Hill, and Geurs (2000) Lawrence and McCollough (2001, 2004)	<ul style="list-style-type: none"> <li>• Conceptually, service guarantees should be useful in setting quality standards and informing customers and employees of these standards.</li> <li>• Service guarantees increase overall service quality by encouraging employees to deliver quality service.</li> <li>• Empirically, there is no clear evidence whether the presence of a service guarantee yields quality improvements. Longitudinal studies have not identified any positive long-term effects of a service guarantee on improvements of service quality.</li> </ul>
Service development and innovation	Clarifies how service guarantees can be used to gain information and encourage suggestions for service development and product innovations	Björlin-Lidén and Sandén (2004) Kandampully (2001)	<ul style="list-style-type: none"> <li>• Service guarantees support the service development process by providing a means to gain customer information after a service failure has occurred.</li> <li>• Service providers should use service guarantees to encourage dissatisfied customers to complain and thus satisfy them, reduce negative word-of-mouth communication, and gain information for service development and innovation.</li> </ul>

innovation processes, which are lacking in many service firms (Bitner and Brown 2008).

### Study Contexts

In examining the contexts in which service guarantee studies have been conducted, we find that 80 studies (73% of the entire sample) report their context; of these, two contexts stand out as the most frequently used for both empirical and conceptual research. Hospitality-related services (e.g., hotels, restaurants, tour services) serve as the context for the largest percentage of studies (30%), followed by retail (26%). Other studies that report a context analyze banking services, car repair, mailing or parcel services, education, transportation, temporary employment services, photocopying services, and after-sales services. Only 5 studies report more than

one context and therefore provide a direct comparison of the effects of service guarantees in different sectors.

*Reflections on study contexts.* The usage of contexts over time remains consistent in that hospitality services continue to receive much attention in service guarantee research. A majority of service guarantee studies occur in the contexts identified in Hart's (1988) seminal article: hotel and restaurant businesses. However, an analysis of the articles in our sample shows that service guarantee research also occurs in other sectors, such as telecommunication services or education. For the purpose of gaining more insight into the applicability of service guarantees across a broad spectrum of service industries, we recommend further research in alternative service settings, such as consulting or medical services, which require a higher degree of coproduction. It also is worth noting that no

research has addressed service guarantees in electronic environments. As the provision of service via electronic encounters continues to gain importance, research should investigate the consequences of service guarantees on consumer behavior in electronic environments as well.

The vast majority of service guarantee studies to date are based in North America. In our sample, 52 of the 71 empirical papers we identify use U.S.-based data sets. As the export of services becomes increasingly important (Styles, Patterson, and La 2005) and because studies have identified differences in customer responses to marketing stimuli across different cultures (Lowe and Corkindale 1998), international service firms need to adjust their marketing strategies (including the design of a service guarantee) to customers and requirements in foreign markets. Therefore, cross-cultural research on service guarantees should attempt to detect effective service guarantee designs with respect to different cultures and analyze how they work in specific contexts. The analyses of different customer perceptions of service guarantees would assist service providers in implementing service guarantee strategies adjusted to cultural differences.

### Study Design and Sampling

*Study design.* The most typical study design in the empirical service guarantee studies is the experiment (34, or 48% of the 71 empirical studies), including both field and laboratory experiments. Surveys are the second most frequent study design (20, or 28% of the empirical studies). Nine studies (13%) report the use of qualitative data—typically collected by in-depth interviews, critical incidents, or content analyses. Seven studies (10%) analyze service guarantee implementations by means of case studies. One study analyzes qualitative as well as quantitative data. Because many of the empirical studies deal with experiments, we provide an overview of the manipulations used in experimental service guarantee research.

*Experimental manipulations.* In 21 service guarantee studies, the researchers manipulate the scope of the guarantee, including whether a service guarantee is present and whether it is unconditional or specific. The presence of compensation or the amount of compensation gets manipulated in 12 experimental studies; typical manipulations include offering a full refund, less than 100% of the money back, more than 100% of the money back, or the next service for free. Five studies manipulate the industry context to compare the effectiveness of service guarantees in different settings, and 4 studies vary the ease of invoking the guarantee. Additional manipulations include such issues as the price of the service offering, the riskiness of the service

being guaranteed, the reputation of the service provider, the search costs of the consumer, and the variability of the service quality. Most studies use more than one manipulation in their experimental designs.

*Sampling.* Some studies address the impact of service guarantees on not only consumer reactions but also employee behavior. Whereas 50 studies (70% of the empirical studies) focus exclusively on consumers, 4 (6%) address the impact of service guarantees on employees or management. Seven studies (10%) examine both sides of the service guarantee process by gathering data from employees and consumers. The remaining 10 studies use other information, such as secondary data or case studies.

*Reflections on study design and sampling.* The sampling of customers is common in service guarantee research. However, in recent years, more studies have used data from both the customer and the employee or management perspective; as a result, we note a greater emphasis on assessing the impact of service guarantees on both internal and external recipients. Research into service guarantees is beginning to expand from merely referring to the marketing perspective of service guarantees to investigating the internal effects of the guarantee instrument.

Criticisms of early service guarantee research suggest much of it was based on anecdotal rather than empirical evidence (e.g., Björilin-Lidén and Edvardsson 2003; Kashyap 2001). However, in the past decade, service guarantee research—particularly pertaining to the organizational impacts of service guarantees, a topic that long was dominated by citations of anecdotal evidence (Kashyap 2001)—has grown to encompass more mathematical and empirical papers. Today, nearly all areas of service guarantee research provide insights based on more rigorous empirical and analytical methods.

As mentioned previously, greater attention to experiments has moved them to exceed surveys as an empirical approach in service guarantee research (see Table 5). One reason for the increase in experimental designs might be the increasing popularity of the topic of price-matching guarantees. Many studies focus on the evaluation of effective service guarantee designs, and experiments represent an effective way of addressing such topics, because they can analyze the interaction effects among different design elements or between a service guarantee and other variables, such as brand image or the service provider's reputation.

### Analytical Approach

Among the 71 empirical studies, analysis of variance represents the most commonly applied analytical method

**Table 5**  
**Study Designs Used in Service Guarantee Research**

Method	Year									Row Total
	1985–1988	1989–1994	1995–1996	1997–1998	1999–2000	2001–2002	2003–2004	2005–2006	2007–2008	
Survey	2		3	1	3	5	2	4		20
Experiment			1	6	2	6	4	8	7	34
Qualitative		4	1	1	1	1	7	1	1	17
Other									1	1
Column total	2	4	5	8	6	12	13	13	8 <sup>a,b</sup>	71 <sup>a</sup>

a. Some of these studies use both qualitative and quantitative data analysis techniques. To avoid double-counting these studies, we adjust the totals of the columns and rows.

b. Forthcoming papers are assigned to the last period.

**Table 6**  
**Quantitative Techniques Used in Service Guarantee Research**

Method	Year									Row Total
	1985–1988	1989–1994	1995–1996	1997–1998	1999–2000	2001–2002	2003–2004	2005–2006	2007–2008	
Descriptive analysis	2		1	1	2	2		1		9
Analysis of variance				3	2	5	3	5	4	22
Regression			1	2		1	1	1	3	9
Factor analysis								1		1
Structural equation modeling						3	2	4	1	10
Data classification			1							1
Conjoint analysis			1	1	1					3
Column total	2	0	4	7	5	11	6	12	8 <sup>a</sup>	55

a. Forthcoming papers are assigned to the last period.

in service guarantee research ( $n = 22$  or 31% of this group). Ten studies (14% of this group) report the use of structural equation modeling. Other analytic methods include regression analyses (9 studies), conjoint analysis (3 studies), factor analysis (1 study), and discriminant analysis (1 study). Nine studies (13%) use descriptive statistics and difference tests. Qualitative techniques are applied in 17 studies (24%), including case studies (7 studies), focus groups or depth interviews (8 studies; note that 1 study that uses both qualitative and quantitative techniques appears twice in the enumeration), content analysis (1 study), or the critical incident technique (1 study).

*Reflections on analytical methods.* Considering the dominance of experimental research, the relatively frequent use of ANOVAs in service guarantee papers is to be expected. In line with recent calls for the use of more structural equation modeling in experimental research (Mackenzie 2001), we suggest that future experimental research on service guarantees should consider using latent variable structural equation models. Indeed, an increasing number of

nonexperimental studies apply multivariate, inferential analytical techniques, such as structural equation modeling. Likewise, we identify a decrease in the number of studies reporting explorative methods such as descriptive statistics (Table 6). These developments perhaps result from the broader applicability of more sophisticated statistical methods because of the development of new software packages or the need to test more complex relationships. However, we do not know the long-term effects of service guarantees on consumer evaluations of a service or the performance of a service firm, so time-series analyses should be applied to the service guarantee context. Such analyses may yield insight into the lasting effects of a service guarantee.

## Challenges for Service Guarantee Research

Our review of existing research on service guarantees leads us to believe that the past 20 years have seen substantial progress in knowledge generation about the topic, as

evidenced by the increasing number of publications over time and the variety of topics addressed. We find that service guarantee researchers, on one hand, examine topics prominent in service research during the considered time frame (e.g., service quality, satisfaction) and on the other hand explore particular service guarantee-related issues, such as the design specifics of service guarantees or their impact on employee behavior. On the basis of our review of the literature, we frame the following research challenges for service guarantee scholars in the future.

### The Value of Service Guarantees

Literature on service guarantees assumes (or implies) that service guarantees can be valuable to service firms because they can create a competitive edge in the marketplace (e.g., Wirtz and Kum 2004; Wirtz, Kum, and Lee 2000); however, as Table 4 shows, minimal evidence supports this assumption. An area of research related to this topic is the impact of service guarantees on the intention to purchase. To know how and to what extent a service guarantee affects the consumer's buying decisions is critical, because increasing the consumer's intention to buy a service often leads to improved profitability for the service provider. Among the 109 studies we analyze, we find only 5 that address the impact of service guarantees on the consumer's intention to purchase—and these studies do not report consistent results. Moreover, no study demonstrates an increase of sales resulting from the implementation of the guarantee. Additional research is needed to demonstrate that the offering of a guarantee not only affects pre-purchase evaluations of a service offering but also yields an increase in sales—and therefore contributes to the value a service guarantee may have for a service provider.

Research also assumes that service guarantees are valuable for the customer; for example, guarantees may reduce consumers' perceived risk and increase quality perceptions of the service. However, scholars have not analyzed how customers evaluate the presence of a service guarantee. Further research should examine the incremental contribution a service guarantee makes to the value of a service offering; providers might then use such information to determine their pricing strategy. Scholars should address this issue by analyzing the impact of the presence of a service guarantee on the consumer's willingness to pay more for the service. Moreover, we suggest research be conducted to analyze the effect of service guarantees across different customer segments. Currently, little is known about the possibility of segmenting customers according to different service guarantee offers. Experimental designs might assist in identifying optimal guarantee-price combinations for high-risk or low-risk-taking consumers.

### Service Guarantees and the Cultivation of Operant Resources

In the discussion of the service-dominant logic for marketing (Vargo and Lusch 2004), operant resources represent key factors for gaining a competitive edge (Madhavaram and Hunt 2008; Vargo and Lusch 2008). According to Hunt (2004) and Vargo and Lusch (2004), operant resources include the skills and knowledge of individual employees, organizational routines and competences, knowledge about market segments, and the knowledge and mental skills of customers. Therefore, we raise the following question: How might service guarantees help identify and apply consumer resources to provide a competitive edge?

Research implies that the presence of service guarantees can influence some operant resources, such as customer information about service developments or innovations. However, service guarantee research largely ignores the implementation of operant resources. Why might the consideration of operant resources in a service guarantee context be useful? First, service guarantees might be used to contribute to the knowledge building and knowledge management capabilities of a firm. Service guarantees may encourage customer response to a service failure (Kandampully 2001; Kandampully and Butler 1998), and information provided during the process of invoking the guarantee (i.e., customer's knowledge about the service process) represents an operant resource that the firm could use to improve service offerings or create new services. Thus, we need to know more about how the incentives presented in service guarantees might encourage customers to provide these resources. Second, the information provided by customers who invoke guarantees could be the basis for the development of service innovations—a topic of increasing importance in the literature. Therefore, a better understanding of how service guarantees incentivize customers to report a service failure would be valuable.

Customer cocreation of value and customer coproduction represent some of the most appealing topics in service research in recent years (Bendapudi and Leone 2003; Maglio and Spohrer 2008; Payne, Storbacka, and Frow 2008; Vargo and Lusch 2008). Generally speaking, scholars remain unsure about the most effective way to engage customers in coproduction. One study suggests that service guarantees might positively influence a customer's motivation to coproduce service (McCollough and Gremler 2004). Additional research also should examine how service guarantees might motivate customer coproduction.

## Service Guarantees and Service Performance

Scholars contend that the presence of service guarantees can lead to process improvements, motivate service employees, and affect the overall quality of service delivery (Hart 1993; Hays and Hill 2001b, 2006a, 2006b; Wirtz and Kum 2000). However, only a small number of papers have dealt with those internal effects empirically. Thus, our review uncovers an apparent lack of studies analyzing the effects of service guarantees on such firm-level features.

Quality improvements have a positive influence on customer satisfaction and firm profits (Anderson, Fornell, and Lehmann 1994; Anderson and Sullivan 1993; Chen et al. 2009). Therefore, an issue that should be of major concern for researchers is the effect of service guarantees on the quality of the delivered service. Although conceptual papers contend that the implementation of a service guarantee should have a positive effect on service quality (Wirtz 1998; Wirtz and Kum 2000), a recent study is not able to confirm this relationship (Chen et al. 2009). Hence, it is still a challenge for service guarantee scholars to show whether and how service guarantees might be helpful in increasing service quality or motivating employees to deliver quality service. Knowing more about how a service guarantee might improve service performance may also help alleviate concerns about implementing service guarantees and reduce their scarcity in the business world. If a service guarantee does not have any impact on the long-term performance of a firm (Chen et al. 2009), it is easy to understand why this marketing instrument remains relatively rare in the business world. Therefore, future research should analyze how the effectiveness of service guarantees in increasing service quality and firm performance could be enhanced.

Ways to motivate employees to deliver quality service when implementing service guarantees is another issue that needs further attention. More studies should identify incentives for service employees to deliver quality service and react adequately in service recovery situations created by the presence of a service guarantee. Thus, research needs to answer the following question: What incentives should accompany the implementation of the service guarantee to motivate employees to deliver quality service?

Service guarantees may also have a dark side when it comes to their impact on employees. For example, a service guarantee might cause employee stress and negative emotions, because it can invite critiques of the service quality provided by the firm. These issues have not been considered in the literature. Employee stress may lead to job dissatisfaction (Bettencourt and Brown 2003) and

negative performance (Singh 2000), so future research should investigate how service guarantee processes can be designed to enable employees to deliver quality service and satisfy customers without creating negative emotional consequences.

Bell and Luddington (2006) underline the apparent lack of knowledge about the impact of customer feedback on employee attitudes and behavior. Because service guarantees offer a form of customer feedback, it would be worth analyzing the effects that customer claims resulting from invoking a service guarantee have on performance by customer contact employees. When service guarantees exist, employees may be exposed to angry customers, which might provoke employees' negative emotions through emotional contagion (Dallimore, Sparks, and Butcher 2007). After receiving a complaint, service employees likely become aware of their employer's quality issues, which may influence their emotional state and consequently their motivation or attitude toward delivering quality service. To understand both customers' and employees' negative emotions as a result of a service failure, scholars should examine whether impersonal processes, such as online claims to invoke the guarantee, might be an appropriate strategy in dealing with the problem of negative emotions. The implementation of service guarantee-induced recovery processes that are subject to a technical solution, such as the Internet or self-service machines, might be an interesting issue to address.

A topic closely connected to the implementation of service guarantees is empowerment. Empowerment of service workers may help reduce role stress and emotional labor (Chebat and Kollias 2000). Whereas some service guarantee scholars suggest the use of service guarantees to empower service employees (Kandampully and Butler 2001), our review does not detect any study that specifically examines this issue. Empirical studies analyzing the empowerment of employees to deal effectively with customers when a guarantee is offered are needed to increase our understanding of both the internal and the external effectiveness of service guarantees.

## Service Guarantees and Service Recovery

Some studies suggest that service guarantees provide an effective service recovery tool (e.g., Björölin-Lidén and Skalén 2003), yet surprisingly little is known about their role during service failure. In service failure situations, emotions can have a significant impact on consumers. The role of emotions in service encounters represents a growing interest in service literature (Dallimore,

Sparks, and Butcher 2007; Hennig-Thurau et al. 2006; Matilla and Enz 2002), and emotions may play an important role in the service guarantee context as well. Customers may feel guilty, frustrated, or angry when complaining to the firm to receive compensation, but research has not examined the emotional consequences for customers when they invoke a service guarantee. These insights may help firms adjust the process associated with the invocation of a service guarantee to minimize negative emotions that emanate from service failure.

Future studies should consider how standardized recovery processes might be designed and implemented when service guarantees are used. As the perception of fairness is crucial for successful service recovery from a customer's perspective (Mattila and Patterson 2004), clear scripts and routines concerning how to react to customers who have invoked a guarantee may help increase the perception of fairness. Surprisingly little is known about how to create these scripts and how they affect consumer behavior during the process of claiming the service guarantee. Moreover, research concerning standardized procedures and explicit rules of how to react in situations when customers invoke the service guarantee, to take the pressure off employees during the recovery process, is needed; such procedures and rules may guide employee behavior and therefore reduce employee stress. To address these important factors, future research needs to identify how standardized processes of invoking service guarantees could be implemented and how this standardization would affect employee and consumer behavior.

### Service Guarantees and Customer Retention

Customer relationship management and customer retention remain significant topics in marketing and service research (Burnham, Frels, and Mahajan 2003; Roos and Gustafsson 2007; Tokman, Davis, and Lemon 2007). Developing a relationship with the customer provides an effective means to engender customer loyalty and, consequently, increase profitability for the service firm (Dowling 2002). However, as Table 2 indicates, few studies examine the role of service guarantees in customer retention. That is, service guarantee research provides only a vague idea of the function of guarantees within customer relationship management. Additional studies could investigate how service guarantees might be implemented to enhance customer commitment to a firm, increase consumers' switching costs, or in other ways strengthen the ties between customers and the service provider.

### Return on Service Guarantees

The most recent *Marketing Science Institute Research Priorities* publication calls for more research on return on marketing investments (Marketing Science Institute 2008); empirical examinations of this return are of growing interest and importance in the service discipline as well (e.g., Kamakura et al. 2002; Rust, Zahorik, and Keiningham 1995). However, our review indicates that no published research has addressed the return on service guarantee investments (e.g., benefits of adjusting internal service processes to deliver service guarantee promises). Therefore, another research challenge involves analyzing the monetary benefits of the implementation of a service guarantee. Such insights are needed, because current research provides minimal information about the measurable (financial) benefits of service guarantees.

A related issue pertains to the cost of offering service guarantees. Service firms understand that before implementing a service guarantee, their processes may need to be adjusted, quality standards set, and employees trained in how to reach the quality standards expected with the implementation of the guarantee. Such activities have associated costs; assessing the costs of the implementation of a service guarantee is essential for evaluating the potential impact of service guarantees on firm success and demands attention in future research.

To assess the payback from offering a service guarantee, new metrics such as service guarantee equity are needed. Data about the (financial) performance of a service guarantee will enable firms to understand whether their service guarantee strategies are working. Such empirical evidence may assist managerial decision-making processes concerning the refinements of the service guarantee strategy of a firm. Thus, research should first develop effective metrics to evaluate a service guarantee's performance and then analyze the relationship between different service guarantee designs and the financial performance of the firm.

### Intercultural Research on Service Guarantees

We detect a plethora of service guarantee studies that are based on data from a single cultural setting. Therefore, research addressing the cross-cultural issues of service guarantees would be a worthwhile topic for scholars in the future. Service scholars need to provide insight into the following important question: What issues does a multinational service provider need to consider when implementing a service guarantee in different countries? The following paragraphs address some of the issues related to this question.



First, with increasing globalization, service firms are exposed to divergent needs and expectations formed by different cultural backgrounds (Wong 2004). To better understand the successful implementation of service guarantees in foreign markets, customer requirements for service guarantees in foreign countries should be analyzed in future studies. For example, research on service recovery shows that consumers differ in their reactions to the compensation provided after a service failure. To illustrate, Wong (2004) finds that offers of compensation after service failures are evaluated positively by American respondents but not by Singaporean or Australian consumers, and Mattila and Patterson (2004) find that Asian customers do not consider monetary compensation an adequate firm response to a service failure. Thus, alternative forms of service guarantee compensations across cultures or remunerations appropriate to many cultures must be identified.

Second, the cultural context may influence a customer's intention to invoke the service guarantee. Although research has revealed different propensities to complain across cultures (Chan and Wan 2008) and shows that encouraging customers to complain leads to less negative word-of-mouth communication after service failure (Hocutt and Bowers 2005), there is a need to identify diverse means of invoking a service guarantee that are in line with consumer habits in different cultures.

Third, studies in business ethics have found cultural differences in opportunistic behavior (Becker and Fritzsche 1987; Grimes 2004; Tsalikis and Seaton 2007). More knowledge is needed about the impact of culture on customer cheating behavior when it comes to service guarantees; such insight could assist in designing remuneration and invocation processes with service guarantees that minimize customer opportunistic behavior. Monitoring the customer (i.e., observing customer's activities) during the process of invoking the service guarantee can overcome the issue of opportunism (Anderson 1988; John 1984). Thus, research needs to analyze how the process of claiming the service guarantee's refund should be designed to monitor customer behavior and how these processes should be adjusted to the needs of different cultures.

### **Interdisciplinary Research on Service Guarantees**

As our review has suggested, the implementation of a service guarantee has consequences for the service customer, the service processes, the organizational structure of the service firm, human resources management, and the competitive environment. To obtain a broader

understanding of the service guarantee instrument, further research should not refer to these outcomes in isolation, as is commonly the case, but instead analyze their interrelations. For example, research might reveal not only the effects of a change in the design of a service guarantee on consumer behavior but also on employee behavior, the operational processes, and the competitive environment at the same time. Because service guarantees influence multiple recipients (customers and employees), a more holistic and interdisciplinary view could help firms craft guarantees that take the requirements of all parties affected by their implementation into account. Thus, similar to Rust's (2004) call for more interdisciplinary research in the service discipline in a *Journal of Service Research* editorial, we detect a need for more interdisciplinary approaches that can offer insights into how service guarantees affect service operations, service strategy, and the customer base.

### **Service Guarantees and Economic Theory**

One discipline that might inform the service guarantee literature is economics. Economics literature provides a plethora of papers referring to product warranties (for overviews of the state of warranty research, see Murthy and Djameludin 2002; Thomas and Rao 1999). However, warranty literature is generally ignored in service guarantee research. The extant literature on product warranties could help inform service scholars about the impact of service guarantees on quality or risk perceptions, consumer buying decisions, or the competitive advantage of a firm.

Referring to literature on product warranties also may assist scholars in understanding how to enhance the effectiveness of service guarantees. According to economic theory, a warranty is a signal of quality, an insurance of the customer against any form of losses, an instrument to reduce the costs of the evaluation of an item, and a motivational tool to encourage customers to coproduce the specific product or service (Barzel 1982; Cooper and Ross 1985; Kelley 1988; Lutz 1996; Priest 1981; Wiener 1985). The literature on service guarantees generally does not take such a multifaceted view when studying the phenomenon. Knowing more about how to implement those four warranty objectives in service guarantee designs may also help in understanding how guarantees should be positioned to different customer segments. For example, the effect of service guarantees on risk-averse consumers might be strengthened by emphasizing the insurance objective of a service guarantee. Similarly, reducing the customer's costs of evaluating a service offering could affect various consumer

segments in different ways—such as those for which the insurance objective is not as important (e.g., risk-taking consumers). Thus, understanding how service guarantees might be designed according to the different objectives of a product warranty to address diverse customer needs could be valuable. Learning more about the impact these frequently discussed warranty issues have when applied to service guarantees—particularly in terms of their influence on consumer behavior—may help create more effective guarantees and strengthen a service provider's marketing strategy.

Economic theory could also guide research on the optimum level of compensation. Baker and Collier (2005) make a first attempt to provide a decision model for implementing effective service guarantee remunerations. However, their model does not consider that the optimum amount of compensation is also affected by the chance that customers may behave opportunistically (Chu, Gerstner, and Hess 1998). Incorporating the possibility of opportunism (Crosno and Dahlstrom 2008; Joshi and Arnold 1997; Joshi and Stump 1999; Williamson 1985) in the decision models for optimum service guarantees' designs would be helpful in identifying remunerations that are both valuable to consumers and can reduce the probability of customer cheating.

Finally, bringing game theoretic approaches (Balachander 2001; Ingene and Parry 2007) to service guarantee research might help clarify how service guarantees can form a competitive advantage. For the past 20 years, researchers have contended that service guarantees are an instrument that can provide a firm with a competitive edge (Wirtz 1998; Wirtz and Kum 2004). However, we still do not know whether service guarantees create a competitive edge or how service guarantee strategies should be designed to do so. Game theoretic approaches might be used to identify strategies leading to a lasting competitive advantage. Future research thus could deal with a key question: From a game theoretic point of view, what is the most effective service guarantee strategy to gain a competitive advantage? This question is widely ignored by the service guarantee literature to date.

### To Be Continued . . .

Our review of service guarantee literature leads us to believe that although researchers have gained substantial knowledge on this topic during the past 20 years, much remains to be learned. The intent of this synthesis is not to criticize past service guarantee research but rather to describe the state of knowledge and provide some

suggestions for further research. We hope that we have inspired service guarantee researchers to continue to expand the boundaries of knowledge on this topic.

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