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## **1. Introduction**

A service guarantee has been defined as a written promise of performance combined with an offer of compensation in the event that service promises are not achieved (Kashyap, 2001; Sum et al., 2002). Service guarantees are thought to impact positively both consumer behavior and organizational outcomes. Consumer behavior effects, as evidenced in prior research, include increasing perceptions of quality (Andaleeb & Basu, 1998; McWilliams & Gerstner, 2006; Wirtz, 1998), moderating the perceived risk of purchasing services compared with products (Boshoff, 2002; Kandampully & Butler, 2001; Lee & Khan, 2012), increasing customer satisfaction (Hocutt & Bowers, 2005; McCollough & Gremler, 2004), and improving re-purchase intentions (Dutta, Biswas, & Grewal, 2007). Organizational benefits are linked to employees' motivation and learning as the presence of a service guarantee raises internal awareness of service attributes considered important to customers and improves employees' motivation to provide a high-quality service (Björlin-Lidén & Sandén, 2004; Hays & Hill, 2001; 2006). As service guarantees also generate customer feedback through the claims compensation process, service failures can provide opportunities for service innovations (Sarel & Marmorstein, 2001; Tucci & Talanga, 1997), and quality improvement (McColl, Mattsson, & Morley, 2005; Robertson, McQuilken, & Kandampully, 2012).

Given these compelling arguments for their adoption it is not surprising that service guarantees have been employed across many consumer markets including—fast food (Fabien, 1997), airlines (Cahill & Warshawsky, 1995), telecommunications and financial services (McColl & Mattsson, 2011), healthcare (Lewis, 1993), leisure (Maher, 1992), professional services (Hart, Schlesinger, & Maher, 1992), and education (Ostrom & Iacobucci, 1998). However, in a review of 20 years of research into service guarantees, Hogueve and Gremler (2009), conclude that although service guarantees have been studied extensively as a means of

gaining a competitive advantage, scholars have not addressed how business-to-business (b2b) customers value service guarantees.

Service guarantees are considered to be especially appropriate under certain market circumstances including where the price of a service is high, customer's expertise is low, expectations of service quality are high, where an organization depends on repeat customers and service failure can have significant repercussions, and where brand recognition is not easily achieved through conventional marketing communication channels (Hart, 1988; Hart, Schlesinger, & Maher, 1992). As these conditions are often found in industrial markets, it can be assumed that service guarantees are highly appropriate in b2b relationships.

However, despite their considerable relevance to industrial marketing, there are few studies that focus on service guarantees in b2b. Among these, in the field of information technology, M'Chirgui, & Zouhaier (2011) studied the relationship between service guarantees and service quality in network and internet settings, while Bhargava and Sun (2008) specifically examined how performance-contingent pricing schemes may be adopted within this sector. The link between contractual governance and performance measurement has also been investigated in a public transport context (Enquist, Camen, & Johnson, 2011) while Liu and Xie (2013) analyze guaranteed service quality in a supply chain context. In a study of consumer service guarantees, Meyer, Gremler, and Hogueve (2014) examine the relationship between service guarantees and a company's stock market value, concluding that the size of effects depend on the scope and invoking conditions of the service guarantee. To date, empirical evidence confirming the perceived value of a service guarantee for industrial buyers is lacking. Against this background, we examine organizational buyer's attitude towards service guarantees and measure their willingness to pay for a guaranteed service. Thus, the present study addresses two key questions:

1. How do b2b customers value a service guarantee?
2. Would b2b customers be willing to pay a premium for a guaranteed service level?

A key rationale for conducting such a study is the potential for a service guarantee to add value to business customers and the implications for a b2b organization's positioning. As concluded by Kalafatis, Tsogas, and Blankson, (2000), although there is a clear indication of the relevance of positioning within the business domain, there is urgent need for research dealing with the subject. This conclusion remains valid today. As such, this study responds to a call for research on positioning in the b2b domain, examining whether service guarantees (with their service promises) can constitute a source of value on which to build positioning strategies. In addressing this topic, we draw from early work by Anderson & Narus, (1995) who describe how services can add value to a market offering in b2b marketing. We focus specifically on business customers that are end users of a service provided by the supplier organization.

Empirically, we conducted two related studies in the context of a b2b organization involved in testing soil and water samples within the Testing, Inspection and Certification (TIC) industry. The TIC sector consists of conformity assessment bodies that provide various services ranging from auditing and inspection to testing. Adopting an exploratory approach, study 1 explores buyers' attitude to a guaranteed service performance and identifies service attributes which could be incorporated into a service guarantee for testing in the second study. In study 2, conjoint analysis was undertaken to examine the perceived value of a service guarantee in terms of customers' purchase intentions and willingness to pay a price premium for the guaranteed service. To analyze the data we drew on signaling theory which has previously been applied to service guarantee research (e.g. Meyer, Gremler, & Hogueve, 2014). Signaling theory is a suitable framework as it is intended to reduce information

asymmetry between two parties (Spence, 2002). A signal is a cue that a seller can use to convey information about product/service attributes which may be difficult to observe (Rao, Qu, & Ruekert, 1999), which is often the case with b2b offerings.

Our findings contribute to both the b2b and service guarantee literatures in a number of ways. First, our study demonstrates that service guarantees can signal added value as customers were willing to pay a substantial premium for a guaranteed service compared with a non-guaranteed offer. This study therefore extends previous research on service guarantees by demonstrating how service guarantees can add value in a b2b setting. Second, we build on prior research in positioning in b2b (Kalafatis, Tsogas, & Blankson, 2000), by demonstrating how service guarantees may be used to provide a point of differentiation against other suppliers and be employed as a base for positioning strategy. Third, our study highlights a number of challenges in designing a suitable guarantee and compensation offer for industrial buyers.

We begin the remainder of the paper with a review of the extant literature on service guarantees relevant to b2b services, focusing on how service guarantees can signal value and their link with positioning. Results of the two studies are then presented and discussed. Finally, we discuss the findings and conclude by addressing theoretical and managerial implications.

## **2. Service guarantee literature**

In line with our research aims, the literature review is organized into four sections: what is a service guarantee and how it should be designed (2.1), how value is conceived in b2b (2.2), what service guarantees signal to customers (2.3), and the link to positioning strategies in b2b (2.4). Given the dearth of empirical research on service guarantees and positioning in the b2b

marketing literature, our literature review integrates findings from consumer research. We begin by considering the nature of a service guarantee and its design as a starting point for considering their application to a b2b context.

### *2.1 Service guarantees and design*

Hogreve and Gremler (2009), contend that a service guarantee should contain an explicit promise made by the service provider to deliver a certain level of service to achieve customer satisfaction and remunerate the customer if the service is not sufficiently delivered. This definition raises important issues concerning service guarantee design, comprising its scope, compensation, and invoking procedure. Unconditional service guarantees that promise 100% customer satisfaction are considered more powerful than conditional guarantees as they allow customers to be the judge of quality (Hart, 1988). Conditional guarantees, on the other hand are more widespread, and make specific assurances around the service offer such as a guaranteed delivery time (McColl & Mattsson, 2011). It has been found that “conditional service guarantees might inhibit customers from engaging in opportunistic behaviors such as invoking the guarantee after a satisfactory service recovery, while an unconditional service guarantee might trigger opportunistic for some, yet not all, customers” (Van Vaerenbergh, De Keyser, & Larivière, 2014, p. 56).

A strong service guarantee should be easy to understand, simple to communicate, meaningful to customers and credible (Hart, 1988). Where possible, a service guarantee should stipulate a penalty for non-performance but also specify the compensation process (McDougall, Levesque, & Vanderplaat, 1998). Consequently, the guarantee design process should begin with a detailed understanding of the market environment (Fabien, 2005).

Despite these recommendations, empirical research has shown that many service guarantees are not well designed, implemented, or evaluated after their introduction. Common mistakes include a lack of commitment from the chief executive officer; insufficient clarity surrounding the purpose of the guarantee; inadequate market research prior to launch; insufficient consultation with key functional managers during the development phase; ambiguous allocation of responsibility for on-going management of the guarantee; and an absence of any performance review (Baker & Collier, 2005; Kukar-Kinney, Walters, & MacKenzie, 2007; McColl & Mattsson, 2011). In summary, service guarantee design elements—scope, relevance of promises, level of compensation and invoking procedure—moderate potential customer effects. Enhancing a service guarantees' potential involves uncovering customers' service priorities and testing a combination of service promises.

## *2.2 Service guarantees as signal of value*

Consumer benefits of a service guarantee may be explained by signaling theory. Signaling theory emerged from the study of economics under conditions in which buyers and sellers possess asymmetric information during market interactions (Spence, 1973). For example, whereas sellers know their true product quality prior to sale, it is more difficult for a buyer to assess it, in particular, because services comprise experiential properties (Faroughian et al., 2012; Vargo & Lusch, 2008). Signaling theory has been applied previously in studies of service guarantees and warranties. For example, consumers' perceptions of alternative warranties that varied in length and scope were tested in an early study by Boulding and Kirmani (1993) who found that a credible warranty was beneficial to the high-quality firm but not for the low-quality firm. A further study assessing whether a hotel with an outstanding service reputation would benefit from offering a conditional service guarantee concluded that



a guarantee reduced perceived risks of purchase and marginally raised customers' expectations (Wirtz, Kum, & Lee, 2000). In sum, actions taken by an organization to differentiate their service through the introduction of a service guarantee may signal added value which in turn, influences market positioning.

### *2.3 Value and service guarantees*

Value creation may be examined from two perspectives, both relevant in the b2b context: value creation for the customer through the offering, and joint customer-supplier value creation. The joint customer-supplier value creation perspective posits that rather than being embodied in products or services transacted, value originates in relationships (La Rocca & Snehota, 2014a; Palmatier, 2008; Payne & Holt, 1999; Ulaga & Eggert, 2005). Two concepts in particular have been used to express this idea: 'value co-creation' and 'value-in-use' (Lusch, Vargo, & Malter, 2006; Lusch, Vargo, & O'Brien, 2007). The belief that value originates in several different facets of the relationship between buyers and sellers, rather than being embodied only in the products or services transacted, is a result of the 'relational perspective' becoming increasingly important in service and b2b marketing (Håkansson & Snehota, 1995; La Rocca & Snehota, 2014b; Vargo & Lusch, 2008). In b2b specifically, the value-generating process has been largely rethought (e.g. Anderson & Narus, 1998; Corsaro & Snehota, 2010; Lindgren & Wynstra, 2005) and the value of a relationship has been argued to depend on the content and consequences the relationship has for the customer and supplier (beyond the monetary consequences of the ownership of the products exchanged). Ramirez (1999) encapsulates this view noting that value emerges from business activities and therefore the task of management is to organize those activities.

From the perspective of 'value in offering', the value creation for the customer relates to how customers perceive (superior) value in a supplier's offering compared with

alternatives. According to this view, value is added to products and services (the 'get'), after uncovering eventual customers' needs, and the product or service is delivered to customers in exchange for some sacrifices, the 'give', often in the form of a price premium (Anderson & Narus, 1998; Zeithaml, 1988). The development of a (superior) 'value proposition' is a critical component of the business strategy (Kaplan & Norton, 2001), defined as the customers' perception of the firm being consistently different on important attributes relative to its competitor's offering (Bharadwaj, Varadarajan, & Fahy, 1993). Evans and Wurster (1997) for instance, view the value proposition as interwoven with the core service activities of an organization. Differentiation may be sought in various ways so that diverse forms of value may be created for different distinct segments. Anderson and Narus (1995) highlighted the crucial role of services in differentiating a company's offering but also observed that suppliers have the tendency to add layer upon layer of services to their offerings without knowing which services customers really want. These authors recommend that managers place greater effort into analyzing their services and deciding which to offer as standard and which as options. Anderson, Narus and van Rossum (2006) stress the importance of 'demonstrating and documenting' the claim that a certain offering provides relevant and superior value for customers. Identifying three types of value propositions – 'all benefits, favourable points of difference, and resonating focus' – the authors suggest that 'resonating focus' should be the gold standard. Their argument is that the "supplier can provide such a customer value proposition by making their offerings superior on the few elements that matter most to target customers, demonstrating and documenting the value of this superior performance, and communicating it in a way that conveys a sophisticated understanding of the customer's business priorities" (Anderson, Narus, & van Rossum, 2006, p. 3).

In an early model, Heskett, Sasser and Hart (1990) incorporate positioning into this thinking by describing salient dimensions of service strategy to include identifying service

priorities of a target market, crafting the value proposition, and communicating customer value. In their model, positioning moderates the relationship between target market selection and the value proposition defined as “a process in which all aspects of the strategic service vision are designed and managed in relation to customer needs and the offerings of competitors (p. 26).” In sum, the relationship between value and market positioning has been well established in both the consumer and b2b literature. Positioning is at the very heart of designing the service and the way it is delivered (Shostack, 1987). Consequently, positioning exists beyond just marketing communications to address customer’s perceptions of the value proposition and its realization.

#### *2.4 Positioning in b2b*

Positioning has been defined as the “act of designing the company’s offering and image to occupy a distinct place in the target market’s mind” (Kotler & Keller 2003, p. 308). The concept of positioning was first developed in consumer marketing but was deemed to be highly applicable to industrial contexts (Webster, 1991). However, implementation was acknowledged as being more challenging in business markets (Bingham & Raffield, 1995) and **practical insights about how to manage industrial positioning strategies are rare in the literature (e.g. Mühlbacher, Dreher, & Gabriel-Ritter, 1994)**. Despite acknowledging that positioning is relevant in b2b, Kalafatis, Tsogas, and Blankson (2000), observed that empirical research in positioning within the domain of b2b marketing was limited. In their work, the authors identified specific positioning strategies indicating hard-choice criteria (e.g. product performance, pricing, etc.) and/or relationship building factors (easy to do business with, personal contact, etc.) as key elements of b2b companies’ differentiating strategies. **Kotha and Vadlamani (1995) found in their study that differentiation strategies can be based**

on various factors – differentiation by quality, design, support and image – and raised the issue of the limits of the ‘generic strategies’ framework (Porter, 1980) in b2b contexts.

Service quality has also been a particular focus of researchers as a means by which firms may achieve a differentiated position (Eisingerich & Bell, 2008; Rust & Oliver, 1994; Zeithaml, Berry, & Parasuraman, 1996). Service guarantees have been shown to positively influence customers’ perceptions of service quality providing a strong signal of a company’s quality intentions (Andaleeb & Basu, 1998; Erevelles, Roy, & Yip, 2001; Hocutt & Bowers, 2005).

Jalkala and Keränen (2014) identified four brand positioning strategies for firms providing customer solutions in B2B markets: customer value diagnostic, global solution integrator, high quality sub-systems provider, and long-term service partner. The authors suggest that these strategies reflect the tendency of suppliers to position their brands around different capabilities needed at different phases of the solution delivery process. In combination, these studies demonstrate how service capabilities may be utilized to differentiate a b2b supplier and employed as a base for positioning strategies.

### **3. Research methodology**

Our study is centered on a European-based international testing laboratory providing water and soil analysis to other organizations within the TIC industry. Analyses involve complicated testing and require a high degree of accuracy and reliability. As such, a standard water or soil analysis is quite expensive due to its complexity and significant investment in specialized personnel and modern laboratory facilities. The firm has three broad customer segments — other testing laboratories unable to provide particular tests such as those for radioactivity; engineering firms; and organizations responsible for natural resources management seeking an independent analysis or to validate their own tests.

We conducted two studies. Study 1 employed semi-structured, personal interviews; and Study 2 involved conjoint analysis on survey data. This combination of research studies is characterized as a mixed-method design as described by Johnson and Onwuegbuzie (2004) and has been employed in many studies in marketing.

### *3.1 Study 1 – semi-structured interviews*

Study 1 comprised two objectives. First, this study addressed the first research question concerning how b2b customers value a service guarantee. Second, in order to conduct conjoint analysis (study 2) we needed to understand customers' service priorities to identify potential service attributes that could be incorporated into a suitable service guarantee. The preceding literature review highlights the importance of effective service guarantee design. Consequently, care was taken to ensure that we tested a pertinent service guarantee using the steps outlined in the previous section. We undertook semi-structured, personal interviews by telephone with managers involved in making the decision to engage an external testing laboratory. To establish service priorities, we began personal interviews with an open-ended question where respondents were asked to describe the six most important criteria in choosing a commercial laboratory. If respondents failed to reach this number or responded with general terms such as 'service' or 'quality', the researchers probed further using attributes adapted to a laboratory context from the measurement scale INDSERV (Gounaris, 2005), designed to broadly capture b2b service quality. This scale identifies 23 service attributes summarized into four sub-scales: potential quality, hard process quality, soft process quality and outcome quality. Respondents were selected from a list of current customers of the laboratory using maximum variation sampling. This involved convenience sampling a cross-section of each customer segment, representing large and small firms, and public and private organizations. Before interviews began, respondents were verified as

decision-makers, a sampling strategy defined by Robson and Foster (1989), as a key informant approach. Interviews used a conversation style generated by an interview guide consisting of open-ended questions as suggested by Minichiello et al. (1995) (appendix 1). Open-ended questions are considered more likely to reflect a respondent's own thinking leading to stronger content validity (Dey, 1993). Interviews continued until a convergence of views was established as recommended by Miles and Huberman (1994), producing a sample of 20 interviews. All interviews were conducted in English and lasted between 25 and 45 minutes. Responses were registered in real-time using field notes, an advantage of telephone interviews over face-to-face methods. Qualitative research is often created through this dual process of textual production and reproduction (Atkinson, 1992).

### *3.2 Study 1 results*

In addition to presenting text-based themes, we also adopted a descriptive statistical approach to summarize the interview data. Such an approach was deemed appropriate to ensure that our analytical procedures were reliable. In qualitative research, reliability refers to consistency in the use of analytical procedures (Golafshani, 2003; Leung, 2015) in order to avoid method or personal bias in data analysis. Given that our objective in study 1 was clear and focused, we followed Silverman's (2013) recommendations which suggests constant data comparison, comprehensive data use, and the use of tables for classifying the findings. In our analysis, we used the full range of qualitative data from our interviews and systematically compared them when building our tables of the service attributes (Table 1). We also classified interviewees' responses about their attitudes towards service guarantees (Table 2).

Table 1 records responses, in order of frequency, to the question that was designed to identify the choice criteria used to select a commercial laboratory. Responses included – quality of analysis (20 responses), meeting deadlines (18), analysis time (17), offering a full

range of services (15), employing qualified and experienced staff (11), modern facilities (11), competitive price (9), accounts that are understandable (8), understands our specific needs (7) and being open to suggestions and new ideas (4).

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INSERT TABLE 1 ABOUT HERE  
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Turning to respondents' attitude toward guarantees in general, results of the personal interviews established that the majority of respondents (14/20) were positive about the concept of a service guarantee and especially the type containing specific conditions compared with an unconditional variety (Table 2). As noted by one respondent '*100% satisfaction seems more appropriate for a hotel or restaurant than for a laboratory.*' Another stated that an '*unconditional guarantee gives the impression that there is a risk that many things could go wrong.*' Concerning the positive aspects of a service guarantee, three themes emerged– (i) a service guarantee was as a sign of quality and that the company stood behind its service, (ii) a service guarantee demonstrated a commitment to customer service, and (iii) it showed that the organization understood its customers' needs. None of the respondents mentioned how a service guarantee might be used to improve internal quality through changes in employees' behaviour despite this being raised as a benefit in the literature review.

Negative views about the general concept of a service guarantee were expressed by 4/20 respondents while a further 2/20 were either ambivalent or felt that they didn't have enough information to say one way or another. Negative views comprised the following reasons – that the company should be professional enough to provide quality service without a guarantee, having a guarantee raises the possibility that service promises won't be met, or that it didn't sound professional – '*sounds like a cheap cafe*' noted one respondent. Some respondents with negative views also wondered whether they would bother making a claim

even if there was a financial benefit – ‘*making claims could take a lot of work and confuse our accounts staff.*’ And ‘*If the service is poor it’s too late and a refund is pointless.*’

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INSERT TABLE 2 ABOUT HERE  
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Responses concerning the issue of compensation in the event that a service guarantee were invoked received mixed reaction with five respondents saying that they were unsure as to what could constitute an appropriate penalty. Five respondents suggested that a 25% reduction on the standard chemical analysis fee was appropriate while three felt that a discount of between 25% and 50% was warranted. However, the most common suggestion was for a small discount of 10 % (seven respondents). None of the respondents mentioned the possibility of a non-monetary penalty. The majority of respondents 12/20, expected that a service guarantee would attract a price increase. Respondents who felt that the service guarantee should be included at the regular service fee argued that investments in quality initiatives required to put a service guarantee in place would lead to productivity gains and should not add to the overall cost of providing the service. Of those respondents who would be prepared to pay extra for a strong service guarantee, particularly if the guarantee concerned a faster chemical analysis, five respondents expected to pay a price surcharge of between 26-50%, six expected an increase of between 1% and 25% and one respondent was unable to say.

### 3.3 Study 2 – survey and conjoint analysis

We employed conjoint analysis to address our second research question, testing whether customers would be prepared to pay a price premium for a guaranteed level of service. The qualitative study established that most customers were interested in the general concept of a service guarantee and a small majority expected the guaranteed service to attract



a price premium. However, in each case specific conditions of guarantee were not presented. To determine which service attributes were most interesting for inclusion in a service guarantee, whether customers would be willing to pay a price premium and how much, we employed conjoint analysis. Conjoint analysis is a widely used technique in marketing for measuring, analyzing and predicting customers' responses to value enhancements for both new or existing products and services (Lilien, Rangaswamy, & De Bruyn, 2006; Vass, Rigby, & Payne, 2017). This technique allows researchers to compute average utility values (part-worths) for each service attribute to assess their relative importance to customers. Moreover, it combines simple data collection with sophisticated study design and estimation methods. Conjoint analysis has been frequently used by scholars to assess utility in b2b marketing (Stremersch et al., 2003; Wuyts, Verhoef, & Prins, 2009). While several conjoint analysis methods exist, Adaptive Conjoint Analysis (ACA) is one of the most widespread as it combines two types of methodologies (steps) in a single tool.

In step one, we identified the most valuable service attributes by having participants select options using a self-assessment questionnaire. The original list of service attributes was derived from findings in study 1 (Table 1) and included the following factors - quality of analysis, meeting deadlines, analysis time, offering a full range of services, employing qualified and experienced staff, modern facilities, competitive price, providing understandable invoices, understands our specific needs, and being open to suggestions and new ideas. A survey link was emailed to current customers with a covering letter attached explaining the purpose of the study and requesting their participation. To ensure that respondents did not complete the survey multiple times and were actual customers of the firm, we requested that they confirm their email address at the end of the survey in order to receive the results at a later date. Collecting participants' email addresses ensured that the survey was completed only once and by the target sample. Using professional buyers in a field study

represents a strength of the study as much of the research on service guarantees is based on student samples (Hogreve & Gremler, 2009).

Results of step one identified ‘analysis time’ (i.e. how long the soil or water analysis took to complete) as the most important service attribute. This finding provided content validity and triangulation for the results in study 1 where respondents claimed that major industrial projects could sometimes be delayed while awaiting results of samples, consequently speed of analysis was critical. The standard completion time was 2-4 weeks, however this could vary depending on demand and supply and vacation periods. The two-step process is a requirement of conjoint analysis to contract many variables into one and represents an advantage compared with alternatives such as multiple factorial experiments (Toubia et al., 2003).

In the second step, the preferred attributes were assessed by participants combined in partial profiles. The sampling pool was the same as in step one but with a delay of one week while the various combinations of analysis time and service guarantees were constructed. A new survey link was emailed to 195 customers of which 107 responses were collected, exceeding the required sample size of 50-60 recommended by Orme (2010). In order to estimate customers’ interest in having a guaranteed analysis time at a higher price, we proposed four levels of guarantee with a price premium (Table 3), based on the findings resulting from study 1 (no guarantee; guarantee with no extra charge; guarantee with 50% price premium; guarantee with 100% price premium). Three levels of ‘analysis time’ were proposed for three levels (standard time; standard time minus one week; standard time minus two weeks). Standard time was not specified but customers would have some expectation based on past experience with the firm. Although the service guarantee literature argues that a guarantee should also state a penalty for non-performance, it was decided not to include this variable as the objective was to assess the perceived value of service promises. Incorporating

another dimension into the study (penalty clause) risked introducing a confounding variable. This decision was further justified by mixed views recorded by respondents about what would constitute a suitable penalty in the event of failure to meet guaranteed performance.

We also chose ACA as the analysis method due to its adaptive capabilities. As the software uses a combination of preference rating and pair-comparisons to estimate the part-worths of the respondents, questionnaires are customized to each respondent's preferences resulting in more accurate estimations of part-worths. Furthermore, ACA provides a continuous re-estimate of each participant's part-worth as the survey progresses. Although each respondent assesses only a few profiles, by the end of the study every profile will have been evaluated. For this step, using the Sawtooth ACA tool to assess participants' evaluation of a set of partial profiles of the potential new service, we designed an online questionnaire to obtain responses.

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INSERT TABLE 3 ABOUT HERE  
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#### **4. Study 2 results**

The results of ACA show two types of information, namely the relative utility of the levels of each attribute (part-worth) and the importance of the attribute. It should be noted that while the utility values of the levels always sum to zero arbitrarily, they can be used for relative comparisons. In other words, the utility values are not absolute terms but are used to infer the order of preference of each level. Table 4 reports the average utility values for each level of the three attributes. In terms of analysis time, it is unsurprising that shorter analysis time was preferred over a longer time (STA=-26.25 vs. SAT-2=26.04). Similarly, a service guarantee at no cost (73.33) was preferred to a service guarantee at a 100% price premium (-35.86).

However, the utility value of a service guarantee at any cost was greater than the utility value of no service guarantee at all (-47.64), which shows that service guarantee was valuable to participants, especially when the additional cost is smaller or equal to a 50% price premium (no cost=73.33; 50% price premium=10.17). When comparing analysis time to service guarantee, the perceived utility customers received from shortened times (52.29) is less than the perceived utility from guarantees (120.97). Therefore, we can say that having a guaranteed analysis time is at least twice as important as providing a shorter, but non-guaranteed analysis time ( $120.97/52.29= 2.31$ ). As expected, the utility of a guaranteed analysis time at no extra cost (GNE) attracted considerable interest from respondents, although this benefit is not commercially compatible with providing faster analysis time (i.e. SAT-1 and SAT-2). ACA technique, however, is more effective when all combinations are available. Limitations can lead to confounded effects and unstable estimation of utilities. Nevertheless, the results show a compelling preference for a guaranteed service compared with a non-guaranteed service.

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INSERT TABLE 4 ABOUT HERE  
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Sawtooth method also performed market simulations in order to calculate the purchase likelihood of various combinations of features. The objective was to capture the absolute level of interest of participants in a particular product or service category by scaling the utilities to estimate purchase likelihood. We decided to create a scenario in which combinations of non-guaranteed analysis times were compared against guaranteed analysis at an extra cost (Table 5), to estimate the purchase likelihood for each combination.

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INSERT TABLE 5 ABOUT HERE  
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In all three scenarios, the likelihood to purchase was higher when a guarantee was offered, especially for scenarios one and two. The purchase likelihood for these scenarios doubled with a guarantee for nearly all combinations. Customers in our sample were clearly willing to pay a 50% premium even if the analysis time were longer (34.96 vs. 17.01), which leads to the conclusion that guarantees are more important than analysis time for this service.

## **5. Discussion**

Our findings show that customers were generally positive about a service guarantee if it could lead to improved services, in particular the quality of the chemical analysis, time taken to provide test results and meeting of agreed deadlines. Study 1 found that service guarantees can transmit both positive and negative service quality signals. Positive signals convey messages that a service guarantee provides a seal of quality, that the company stands behind its service, is committed to customer service, and that the organization understands its customers' needs. However, a service guarantee may also communicate a negative message. Some respondents were concerned that offering a general guarantee could signal the possibility that service promises may not be met, raising the risk of not delivering the service promises. This somewhat negative effect appears specific to the nature of supplier relationships in b2b markets compared with studies conducted in a b2c context where service guarantees have mainly been found to have positive perceptions (Lee & Khan, 2012).

Service guarantees normally include two components; an explicit promise to deliver a certain level of service and a promise to compensate the customer if the service is not sufficiently delivered (McDougall, Levesque, & Vanderplaat, 1998). Our findings show that

there was no consensus as to what would be an appropriate penalty for non-performance or whether a penalty was relevant at all. Responses were somewhat evenly distributed between an appreciation of receiving some form of monetary compensation (a discount of between 10% and 50%) on the standard cost while others felt that monetary compensation would be immaterial. This divergence of opinion for compensation suggests that organizational buyers prefer service reliability rather than have the potential of a financial windfall resulting from compensated service failure. This reflects characteristics of business markets where shortcomings in the product/service purchased might have repercussions on the downstream value chain of the customer's business. Furthermore, buyers also expressed concern with administrative costs that would be incurred in making a claim thereby reflecting the economic logic pursued by professional buyers.

The second study assessed whether customers would be prepared to pay a price premium for a guaranteed service compared with shorter analysis time. Essentially, can a service guarantee offer added value? When asked to choose between speed of analysis and a guaranteed delivery date, customers were interested in both options simultaneously. However, as this combination is commercially unrealistic, conjoint analysis compels respondents to choose between the two options. The result of this test shows that the guaranteed date of delivery was more than twice as important as a non-guaranteed delivery even when the non-guaranteed delivery may have been faster. The service guarantee appears to serve as a signal of value where the organization will honor guaranteed service times. Findings from conjoint analysis also show that customers were willing to pay a premium (of up to 50% on the base price) to ensure that the service would meet promised delivery times. The fact that buyers were willing to pay a premium for a guaranteed service highlights the value adding potential of service guarantees which may become a base for a supplier's positioning strategies.

## **6. Conclusions**

### *6.1 Contribution to theory*

This study makes a strong contribution to the industrial marketing literature by evaluating the perceived value of service guarantees in a b2b context and demonstrating implications for positioning strategies. First, our study demonstrates that service guarantees can play a compelling role in signaling added value to industrial buyers, as customers in the study were willing to pay a substantial premium for a guaranteed service compared with a non-guaranteed offer. In this sense service guarantees communicate a commitment to service excellence by ‘demonstrating and documenting’ the value of a supplier’s superior performance to customers, an important action in value-adding described by Bharadwaj, Varadarajan, and Fahy (1993), Kaplan and Norton, (2001), and Anderson, Narus and van Rossum (2006). By demonstrating how service guarantees add value in a b2b setting, this study extends previous research on service guarantees (e.g. Wirtz, Kum, & Lee, 2000).

Furthermore, our study highlights the challenges in designing a suitable guarantee and compensation offer. As noted by Hogueve and Gremler (2009), without the promise of remuneration, which can be monetary or nonmonetary, a service guarantee remains unsubstantiated. This issue however, appears to be more complicated in an industrial market compared with a consumer setting where customers may be mollified by a small discount, refund or gift. In a b2b context, the elements of a guarantee and the compensation need to reflect an understanding of broader consequences of longer standing supplier-customer relationships which go beyond the actual cost (price) of the service. Consequently, service guarantees in a b2b setting must be co-created jointly with the customer, a process described by Lusch, Vargo, and Malter, (2006) to ensure that the service guarantee is relevant and of value to buyers. The co-creation model has appeal as prior research suggests that service

guarantees designed without significant input from customers are less effective (Fabien, 2005; McColl & Mattsson, 2011).

As a third contribution to theory, and specifically to research on positioning strategies in b2b contexts (Kalafatis, Tsogas, & Blankson, 2000), we argue that service guarantees represent an important element of a supplier's long-term positioning strategy as these can be highly valued by customers yet are not easily imitated by competitors. Our study suggests that a service guarantee is important for positioning when it signals features of the supplier's offering perceived as being critical by the customer or perceived by a buyer as a risk. As such they have a significant role to play in creating a value proposition, in particular in the type identified by Anderson, Narus and van Rossum (2006) as 'resonating focus'. This is in line with research showing that, in a b2b context in particular, failure to deliver the performance promised can have consequences well beyond the monetary value of the purchase (e.g. Ford et al., 2011). Given that service guarantees are assessed or actioned by customers after the service has concluded may increase their impact as research suggests that a supplier's capabilities evaluated at the latter stage of the solution delivery process are particularly crucial for b2b customers in shaping attitudes (Jalkala & Keränen, 2014).

## *6.2 Managerial implications*

This study has a number of implications for managers. First, we highlight the potential of service guarantees as a device for marketing, service operations, employee management and customer service in a b2b context. Although this study focused on their value adding and positioning potential, broader advantages are also acknowledged. These include decreasing the perceived risk in purchasing, increasing customer satisfaction, building customer loyalty, and supporting quality improvement initiatives in the supplier organization. A service guarantee focused on specific performance elements can provide a stimulus for a customer



orientation for the supplier organization as it directs employees' attention around performance priorities as defined by customers. In that context, it can benefit the overall strategic capability and positioning of the supplier organization beyond value signaling. Consequently, service guarantees are not simply the domain of marketing but should be integrated across the organization, involving input from Operations and Human Resources Management. Although service guarantees have been employed extensively in consumer marketing, industrial marketers have been slow to fully consider their potential.

Second, we show the capacity of service guarantees in an industrial marketing context to add value to a service offering. While adding services represents a well-known strategy to enrich value of an offering and generate supplier differentiation, prior research has shown the risks of adding services customers do not want (Anderson & Narus, 1995). Our findings show that service guarantees are perceived as valuable to the extent that customers are ready to pay a substantial price premium. This finding is noteworthy as industrial customers often dismiss the real value of a service in order to obtain it as part of a standard package, a point highlighted by Anderson & Narus, (1995). Consequently, managers may consider introducing a service guarantee as a 'paid for' option rather than standard for all customers. This is more likely to lead to greater perceived value for those who pay and those who do not. Potential segments may include new customers or those who perceive greater risks in purchasing. Indeed, generic service guarantees may be counter-productive as these may reflect the least knowledge about customers and competitors. Although communicating customer value is central to a strong service strategy, positioning effects occur over time and are dependent on building awareness of value attributes amongst target customers.

A third, managerial implication of this study is the importance of careful design and implementation of a service guarantee. An effective service guarantee must contain service attributes actually valued by customers, as opposed to 'all benefits' or 'favourable points of

difference' as noted by Anderson, Narus and van Rossum (2006). Consequently, service guarantees in a b2b setting must be co-created jointly with the customer to ensure they are relevant and valuable. Designing and implementing service guarantees in a b2b context should also build on insights into the consequences (positive and negative) and economics (costs and benefits) of customers' operations and might require tools like value calculators. A poorly designed service guarantee in industrial markets may in some cases transmit negative signals to customers, with a negative impact on perceived value. In a newly established relationship with no previous experience, a service guarantee might generate more confidence in the supplier, however, in high trust and established relationships offering a service guarantee might signal the possibility that the supplier is uncertain about meeting expected performance standards. Careful consideration must be given to the costs associated with value adding and positioning through service guarantees. As suggested by the 'give' and 'get' idea (Anderson & Narus, 1998; Zeithaml, 1988), managers need to balance the perceived added value with operational challenges and costs associated with delivering promises (and making payouts). Therefore, a logical starting point for assessing whether an organization is suitable for a service guarantee would be to consider the industry characteristics proposed by Hart (1988) and Hart, Schlesinger and Maher (1992). Although developed with consumer markets in mind, their criteria are pertinent to industrial marketing.

### *6.3 Limitations and directions for future research*

As with all empirical research, this study has certain limitations. The study consisted of one organization in one industry which appeared to be suited to a service guarantee.

Consequently, care should be taken in generalizing the findings beyond this industry. Future research might consider the application of service guarantees in other b2b settings (e.g. project, components, and technological services) and in the context of various customer-

supplier relationships. Such studies could establish possible boundary conditions of service guarantee effectiveness in b2b. Furthermore, our study didn't consider the payout or compensation process. Justification of this decision has already been noted and may be considered to fall outside the scope of the current study. However, conceiving a payout for breaches of a service guarantee are more complicated in b2b markets where offers of a small financial penalty may be irrelevant. Consequently, investigating the impact of alternative compensation offers represents a potentially rich vein of research on this topic. In terms of our main research method, conjoint analysis has certain limitations. In this case respondents evaluated options based on somewhat intangible attributes of a service guarantee which would be more concrete in a real-world market launch where the guarantee is supported by the sales team and marketing communications. Finally, our paper is founded on the well-established link between perceived value and positioning, however we do not actually measure positioning effects. Consequently, future research might consider studying the enduring positioning effects of a service guarantee in transforming customers' value perceptions. However, despite these limitations, our findings make a number of important contributions to both research and management.

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**Table 1**  
**Respondent Summary**

<b>Responses</b>	<b>Respondent Cases</b>																				<b>Total</b>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
<b>Service criteria</b>																					
<i>Potential quality</i>																					
Full range of services	✓	✓		✓	✓	✓	✓	✓		✓		✓	✓	✓		✓	✓	✓		✓	15
Qualified and experienced staff		✓		✓		✓		✓	✓			✓	✓		✓			✓	✓	✓	11
Modern facilities			✓			✓	✓	✓		✓	✓		✓	✓	✓		✓	✓			11
<i>Hard process quality</i>																					
Quality of analysis	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	20
Analysis time	✓	✓	✓		✓		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	17
Meeting deadlines	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	18
Accounts are understandable	✓		✓	✓	✓			✓			✓					✓				✓	8
<i>Soft process quality</i>																					
Understands our specific needs	✓						✓			✓	✓				✓	✓			✓		7
Open to suggestions/new ideas			✓		✓				✓								✓				4
Competitive price		✓		✓		✓			✓		✓	✓		✓		✓			✓		9

**Table 2**  
**Respondent Summary**

<b>Responses</b>	<b>Respondent Cases</b>																				<b>Total</b>
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	
<b><i>Overall interest in a service guarantee</i></b>																					
Positive	✓	✓		✓	✓	✓	✓				✓	✓	✓		✓	✓	✓		✓	✓	14
Negative				✓					✓	✓								✓			4
Unsure													✓							✓	2
<b><i>Compensation options</i></b>																					
26- 50% refund					✓							✓						✓			3
11- 25% refund		✓				✓			✓		✓					✓					5
10% refund	✓			✓			✓			✓					✓			✓	✓		7
Not sure/can't say			✓					✓					✓	✓						✓	5
<b><i>Premium</i></b>																					
Yes		✓	✓		✓	✓	✓			✓		✓		✓	✓			✓	✓	✓	12
No	✓			✓				✓	✓				✓			✓	✓				7
Not sure/can't say											✓										1
<b><i>Price premium</i></b>																					
26-50%			✓			✓	✓							✓				✓			5
Less than 25%	✓								✓		✓		✓						✓	✓	6
Not sure/can't say					✓																1

**Table 3** Service combinations tested

<b>Analysis time</b>	<b>Guarantee</b>
Standard Analysis Time (SAT)	Guarantee at no extra cost (GNE)
Standard Analysis Time minus 1 week (SAT-1)	Guarantee at a 50% premium (G50)
Standard Analysis Time minus 2 weeks (SAT-2)	Guarantee at a 100% premium (G100)
	No Guarantee (NG)

**Table 4** Average Utility Values

<b>Levels</b>	<b>Total</b>
<b>Analysis Time</b>	
SAT	-26.25
SAT-1	0.21
SAT-2	26.04
<b>Utility from SAT to SAT-2</b>	<b>52.29</b>
<b>Guarantee</b>	
GNE	73.33
GNE50	10.17
GNE100	-35.86
NG	-47.64
<b>Utility from NG to GNE</b>	<b>120.97</b>

Rescaling method: Zero-centered diffs



**Table 5** Purchase Likelihood in %

<b>Scenario</b>	<b>Combination</b>	<b>Likelihood</b>	<b>Std Err</b>
<b>1</b>	SAT not Guaranteed	17.01	2.37
	SAT Guaranteed at 50%	34.96	3.40
<b>2</b>	SAT-1 not Guaranteed	24.44	2.89
	SAT-1 Guaranteed at 50%	43.60	3.51
<b>3</b>	SAT-2 not Guaranteed	33.09	3.19
	SAT-2 Guaranteed at 50%	38.18	3.73