



**By Peter Meyer**

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**Abstract:** In this article the author provides reasons why a business should guarantee the satisfaction of its customers. His experience-based discussion of this subject can help a business increase its revenue and margins. Doing this also helps a business express its owners' values. The author's own business offers a 100 percent satisfaction to all its clients.

Should a business guarantee to satisfy its customers? What's in it for the business?

A guarantee of satisfaction to its customers is both a revenue tool and a statement of how it operates from principle.

## **Can Offering the Customer Safety Increase Your Business' Revenue?**

When you consider how to increase your revenue, start with your own buying preferences. Why might you choose to pay a premium for a product? Does that apply to others as well? Specifically, consider three questions:

- 1 - Would you pay more for a guarantee of satisfaction?
- 2 - Does guaranteeing your work say something about you?
- 3 - What is a guarantee's total cost compared to the revenue?

The first two of these questions are tightly interrelated. When I buy on line or in person, I tend to shop where returns are easy. Lands End and Boure Bicycle Clothing are great examples. Each company flatly guarantees that I can return purchases or gifts with no questions asked. Does this mean that their clothes or bags are automatically better? No, but their service is. Their guarantee makes my purchase safer. The guarantee is a statement of their values. I bring my business back to them because of that. For me, questions 1 and 2 are important reasons to choose my supplier.

You can use this to substantially boost your margins. Customers come to you with questions to resolve. Answering those questions in a way that makes you the safe choice can increase your sales price and reduce your risk at the same time.

Consider what you already do to differentiate your product. If you sell tires or roofing materials, do you want to just sell prepared chemicals? Or do you want to deliver safety on the road and in the building? Is your product a combination of materials that anyone can buy, or is your product the way that you deliver those materials to individual customers?

To command a higher price, make the offering you deliver a mixture of two things. First, start with your ability to get the problem and success criteria defined up front. When you do this with your customer before he or she buys, your customer is more likely to get the solution that they tell you they want.

That allows you to deliver the second part of the mix — comfort. A guarantee is part of that sense of comfort. Combining your understanding with comfort for the customer will lead to increased margins. Negotiating success criteria in advance shows your customer that you value their uniqueness. It also allows you to know exactly what you should guarantee.

## **Increasing Margins**

Start by looking within yourself. Would you pay a premium to get a satisfaction guarantee for something important to you? How true is it for others? We asked over 100

executives if they would pay a premium for a guarantee, and how much. They said 'yes.' The average increment that they were willing to pay was 100 percent. Not only would they pay more for the safety of a guarantee, they would pay twice as much. It's a strong statement.

A guarantee is an expression of your values. That value is attractive. It is also a commitment to protecting the customer. That's also attractive! Those mean higher value to your customer. With that value, you can and should collect additional margin from every customer. It is worth it to you to be worth it to them.

## **The Satisfaction of Delivering Satisfaction**

Increasing revenue is only part of the reason to offer a guarantee. Because you are going to do the work right, you get the privilege of your own satisfaction.

Do you feel good about delivering quality and value in your business and personal life? One of the main reasons to deliver satisfaction is that this is how you want to perceive yourself. When you are working to your own greatest satisfaction, you are working from your internal compass, from what you are as essence. It feels good.

Satisfaction with your business starts within you. Your sense of quality comes from within you, not from an external source. You may measure the level of quality by comparisons, but your ability to recognize that you deliver quality comes from inside you.

When you deliver from there, it's clearly part of your product. You do what you would feel proud to do, and that shows. You want it to show, and you probably show it now.

To put this in perspective, consider:

- If a customer is unhappy with what you have done, would you turn your back? Or would you work to craft a solution?

The answer seems obvious. Consider the statement you are making. "Yes" to that question is a statement that you deliver quality work, end of story. You want to do that, and you want to be known for that. You are working from your internal guidance, from your sense of what you want to be and how you want to see yourself. That commitment to "Yes" is a key part of why your customer should buy from you. It is as much a part of your product as tires or roofing materials or billable hours.

Your guarantee that you will take care of the customer, that you are offering to guarantee their satisfaction, is the clear statement from within you to them. One of the best reasons to offer that statement is because you are telling them about what you and they both mean to you.

When you act from what you are, you will make an effort to find ways to make your customer happy. You'll get satisfaction from delivering satisfaction. You are going to do what is right.

Your customers value your focus on the problem as much as they value the hardware or software. When you focus on their problem, you are going to do what is right for them. If you give them that focus, and show you mean it, you will double your margins and more.

If you are going to do what is right, why not tell your customers that this is how you operate? Why not collect the additional margin that they will pay for that commitment to their satisfaction?

## **Reducing the Risks**

Can we afford this? It's a discussion of revenue versus cost. The revenue can be forecast, but the risk feels enormous and incalculable. When you offer a satisfaction guarantee you run the risk of a customer telling you that you have failed, and then having to make it right. It raises questions.

The first question should be:

- Do you want to know when you have failed in the customer's eyes?

For most of us, the answer is 'Yes.'

The second question would be:

- Are you going to fix the problem anyway?

My guess is that when you look within yourself, you will find that you want to do what is right for the customer if you can. 'Yes,' you'll find a way to make it right.

If so, why not ask to be paid for your commitment to excellence in every transaction? In several decades of consulting projects in our firm, we have gotten very good at asking for definitions of success criteria from large companies and small ones. We've always been good at meeting our commitments. We deliver good work, and we guarantee it. How often do we have to pay out? In the 20 plus years, we've refunded money one time.

You can manage your risk by ensuring success. The biggest tool to ensure customer success is how you communicate with the customer before the project is started. Success Criteria are your tool for margin, delivering value, and reducing risk.

Together you and your customer have the opportunity to define success for a project. If you want to make sure that you will both feel satisfied that you delivered satisfaction, make an opportunity to define success before you start.

Before you do price negotiations, ask for an understanding that you will be successful if X and Y are done, and that you have the ability to negotiate changes if both parties agree. It sounds pretty obvious, but how many projects do you start without a clear and common agreement on Success Criteria?

Once you agree on that definition, you know your targets to deliver satisfaction for you and the customer. You know what you can and will do to satisfy your own internal drive for quality. You know your capability to satisfy your commitments to the customer. And you know that you can ask a premium because you asked for the Success Criteria and then promised to meet them.

In other words, your risk goes down. Your margins go up.

The essence of the risk changes as well. Before you were concerned with issuing a refund. Now you are more concerned with making things right. Again, wouldn't you do that with or without a written guarantee? Isn't that what you stand for? If so, what is the risk of the guarantee? There is very little risk and a lot to gain.

Over the years we have clearly gotten revenue that might not have come to us. Why? We display the commitment to satisfaction. I know this because customers have told us. What risk would be unacceptable to me as an owner? The risk that I would say no to supporting a paying customer, or the risk that I would not work to understand a customer's needs in advance. Working from my source, my internal compass, I won't accept the risk. I want to treat my client in a way that I enjoy being treated.

The biggest risk for me? Going home thinking that I did not do the right thing for the customer or myself. Since I won't accept that risk, this is the argument that keeps me offering a satisfaction guarantee. The additional revenue is the happy side effect.

## **Choosing to Guarantee**

The arguments to offer a guarantee are:

- Increasing revenue to more than cover what you will pay in claims
- Keeping the focus of a transaction on the work that you are doing instead of the price of doing it
- Presenting the same sense of quality that you strive to be
- You are going to fix things that go wrong anyway. It is one of your strengths.

You might as well get paid for one of your best qualities.

Peter Drucker put it well when he said: “The single most important thing to remember about any enterprise is that there are no results inside its four walls. The result of a business is a **satisfied customer.**”

A significant part of your product is your value, and the core of your value is what comes from within you, not from what you produce. That is good news; you can produce more value by focusing on that, and by generating more from your source. The benefits to you, your customers, and your business are great. You just have to figure out how to do it. Remember that a guarantee is a contract with your customer, and both parties are involved. So start with asking to jointly define success before any important transaction that you will guarantee.

Do you want your customer to feel comfortable buying from your business? Do you want clients to respect how you do business? If the answer is yes, then guarantees can be a low cost way to help customers buy.

In the end, your guarantee of customer satisfaction is not about the hardware or software or service. It is about the statement that you are making to your customer and to yourself. The benefits include higher revenue, but the chief benefit may be how you and your customer see your value, and your values.

