

Guaranteeing Your Customer's Satisfaction: Can it help increase your business' revenue?

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Guaranteeing satisfaction to your customer is both a way to grow your revenue and clear a statement of who you are. Should you guarantee satisfaction for your customers? What's in it for you?

Can Offering the Customer Safety Increase Your Business' Revenue?

When you consider how to increase your revenue, start with how you like to buy. Specifically, please consider three questions:

1. Would you pay more for a satisfaction guarantee?
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 interrelated. I don't know about you, but I tend to shop with vendors that take care of me. 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. The guarantee adds a sense of safety and it's a statement of their values. That adds comfort to my purchase.

Comfort with you is a part of your product, is it not? For many customers, questions 1 and 2 are important criteria for where I shop.

Consider what you already do to differentiate your product. If you sell tires or roofing materials, are you in the business of selling 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?

Your guarantee is part of your product as much as any other raw materials. It helps you to simultaneously increase your sales price and reduce your risk.

Steps to Command a Higher Price

To command a higher price, make the offering you deliver a mixture of two things. First, start with your ability to define both the problem and success criteria up front. When you do this with your customer before she or he buys, you are more likely to deliver the right solution. Your cost to provide goes down because you'll know how to define success before you start.

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

If you'd pay a premium to get a satisfaction guarantee how true is that for others? We asked over 100 executives if they would pay more 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.

Your guarantee is an attractive expression of your values. It is also a commitment to protecting the customer. With that, you can and should collect additional margin from every customer. It should be worth it to you to be worth it to them.

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Reducing the Risks

You should ask: "Can we afford this?" You can forecast the revenue gain, but what about the risk? At first it 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. 'Yes,' you'll find a way to make it right. If so, why not ask to be paid for your commitment to doing the right thing?

In several decades of consulting our firm has 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 once.

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 growing your margin, delivering value, and reducing risk.

For your customer's sake and for yours, ask for an understanding that you will be successful if X and Y are done before you do price negotiations. Make clear that you have the ability to negotiate further changes if both parties agree. This all sounds pretty obvious, but how many projects do you start without a clear agreement on success criteria?

Once you agree on that definition, you know your targets to deliver satisfaction for you and your 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 our firm's position on guarantees has gotten deals that might not have come to us. Why? We display the commitment to satisfaction. We know this because our 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. That is the risk that I will not accept for my firm.

Choosing to Guarantee

The arguments to offer a guarantee are:

1. Keeping the focus of a transaction on the work that you are doing instead of the price of doing it
2. Increasing revenue to more than cover what you will pay in claims
3. Presenting the same sense of quality that you strive to be
4. 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."

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 more from you.

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 you, and your values. **SSE**

Adapted from an article <http://www.westga.edu/~bquest/2013/satisfaction2013.pdf>

Author Bio

Peter Meyer is a founder and principal of The Meyer Group. He has done speaking tours on management, technology, and strategies throughout the United States and in Europe, the Far East, and Australia. He has also twice addressed the Commonwealth Club of California and guest lectured at the University of California and at Santa Clara University. He has published articles in Excellence Essentials, The Wall Street Journal, The Canadian Business Review, Business Horizons, Dateline, Internet Business Journal, Executive Female, and The Recorder as well as a profile of him in Entrepreneur.

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