Guarantee Success? Why Plant Guarantees Matter

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“\[If we went into stores only when we needed to buy something, and if once there only bought what we needed, the economy would collapse, boom.\]”

Paco Underhill
Why we Buy, The Science of Shopping

Consumers now make 82% of their purchase decisions inside the store.

Guarantees and consumer satisfaction

- Research has shown that product guarantees help give consumers a “safety net” or recourse should something go wrong, provide companies with a competitive advantage, can be a signal of higher product quality, and provide value to businesses and consumers (Ang and Lee, 2000; Kukar-Kinney and Walters, 2003; Lee and Khan,)

Guarantee or warrantee?

- Guarantees and warranties provide remedies to consumers who have an issue with a product.
- Guarantees help satisfaction but warranties help with defects.
- A guarantee provides a remedy for dissatisfaction. It is a promise that something is of specified quality, benefit, etc., or that it will perform satisfactorily for a given length of time.
- A warranty is an assurance given by a producer against defects in the components of a product with a promise to cure any defects. It’s more an “insurance policy” for a certain period of time.

Plant guarantees do increase consumer satisfaction

- In a national study with 517 consumers, Dennis et al. (2005) showed that when consumers knew a plant guarantee was in place (present versus absent), they experienced less regret and had a higher likelihood of making another purchase.
- The findings also showed that when a plant guarantee was in place, that the level of consumer satisfaction was higher.
- Guarantees influenced many consumers in how they thought about their next purchases!

Guarantees matter to cut flower buyers

- Rihn et al. (2014) showed that participants valued guarantees and longer life on cut flower arrangements, and were willing to pay more for that especially when buying a single species fresh cut flower bouquet.
- Having a guarantee in place increased the likelihood of buying cut flowers, either for themselves or as a gift.
- Of the three segments identified, guarantee seekers (not value-conscious or spenders) valued guarantees the most and were willing to pay for that (a premium of approximately 15%).

Guarantees influence consumers!

- Are valued by some consumers, and those who value guarantees appear to be willing to pay more for it (15% premium).
- Contribute to customer satisfaction/delight and help encourage repeat purchases.
- Can signal to consumers that products are of higher quality.
- Can create a competitive advantage for businesses offering them.

Efforts to grow our market by recruiting new customers:

Awarded a grant through AmericanHort with Meister Media (Carol Miller) and Susan Hogan (formerly Emory University, now Deloitte) in 2013. Focus groups with persons under age 40.

Focus Group 4 Key Findings

1. The act of gardening has mostly positive impressions, although there are significant negatives (it’s dirty, it’s hard work) that need to be countered.
2. Consumers have a distinct ideas of the type of person who gardens - and it’s often a limiting viewpoint.
3. Garden centers are the third most popular place to buy plants, after big boxes and grocery stores. The only exception was for the 30 to 49 year old group of consumers, which preferred local garden centers more than grocery stores.
4. Consumers lack a sense of control when it comes to gardening. They repeatedly used the terms “luck” and “risk” when describing gardening.

Why let luck and ignorance be key drivers in the purchase decision about our products?

- When guarantees may give us a boost in recruiting consumers, reducing the risk (eliminating some of the ‘luck’ factor.
- Guarantees may not reduce the ignorance, but they may give first-timers some confidence (and potential recourse) to offset their ignorance.

2015 Study Goals

1. We wanted to understand the relationship between guarantees, returns, and outlet of purchase.
2. Understand the relationships between satisfaction, repeat purchases, and who was to blame.
3. See what a plant guarantee was worth to consumers.
4. Understand how expertise (experience) and involvement (interest) affect the perception of plant guarantees.

Online survey using Qualtrics and Global Marketing Insight

- Obtained approval from University Committee on Research Involving Human Subjects for the protocol and survey.
- Collected data from September 15-17, 2015.
- Initially recruited 713 respondents with 458 complete and useful responses (64.2%). To qualify, the respondent must have made a plant purchase in 2015.
Sample profile was typical of plant buyers

- 42.5% male, 41.5% female
- 41.5% had one other adult in the household (12.1% had 0)
- 53.2% had 0 children, 11.7% had 1 child, 12.9% had 2 children
- 69.3% identified themselves as Caucasian
- Income mode ($30,000) and mean ($77,638)
- Spent $75 (mode) $147 (mean) on plants in 2015.

Of the total plants purchased:

- 60% were not returned and did not have a guarantee in place.
- 28% were not returned but did have a guarantee in place.
- 11% were returned and did have a guarantee in place
- 1% were returned but did not have a guarantee in place
- Returns appears higher than what anecdotal evidence suggests from IGC experiences (< 5% most < 2%)
Guaranteed? Returned?

There was a significant relationship (correlation) between the presence of a guarantee and the returning of plants \( r^2 = 0.41 \).

Take home #1

- Yes, there is a relationship between awareness of a plant guarantee and its return.
- BUT, don’t be afraid to guarantee plants!
- If < 50% of the plants are perceived to have a guarantee, what message are we sending to consumers about product quality?
- Reducing their risk? Helping them be successful by giving them potential recourse?
- How likely are you to buy a product that you consider yourself lucky if it lives and you have little to no experience to help you achieve that goal? How much are you willing to spend?

Guarantees, Repeat Purchases, and the Blame Game

Attitudes about plant purchase

- Took 15 attitudinal questions and analyzed them.
- Three factors were identified as (1) Repeat purchase likelihood, (2) Satisfaction, and (3) who was Responsible. This was a three factor solution using Promax rotation with Kaiser normalization, accounting for 80.02% of the variance.

<table>
<thead>
<tr>
<th>Question</th>
<th>Text</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q1</td>
<td>Repeatable decision . . . Excellent decision</td>
<td>0.796</td>
</tr>
<tr>
<td>Q3</td>
<td>Sorry I bought this plant . . . Glad I bought this</td>
<td>0.829</td>
</tr>
<tr>
<td>Q4</td>
<td>Should have chosen another plant . . . Correct choice</td>
<td>0.875</td>
</tr>
<tr>
<td>Q5</td>
<td>Likelihood of repurchasing this plant (very low/very high)</td>
<td>0.926</td>
</tr>
<tr>
<td>Q7</td>
<td>Probability I will consider buying this plant again (very low/very high)</td>
<td>0.927</td>
</tr>
<tr>
<td>Q8</td>
<td>My willingness to buy this plant again (very low/very high)</td>
<td>0.914</td>
</tr>
<tr>
<td>Q9</td>
<td>I will purchase a plant like this again (SD/SA)</td>
<td>0.860</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Question</th>
<th>Text</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q10_1</td>
<td>Very dissatisfied . . . Very satisfied</td>
<td>0.911</td>
</tr>
<tr>
<td>Q10_2</td>
<td>Very displeased . . . Very pleased</td>
<td>0.902</td>
</tr>
<tr>
<td>Q10_3</td>
<td>Frustrated . . . Contented</td>
<td>0.887</td>
</tr>
<tr>
<td>Q10_4</td>
<td>Terrible . . . Delighted</td>
<td>0.956</td>
</tr>
</tbody>
</table>
Repeat Purchase, Satisfaction, Responsible

<table>
<thead>
<tr>
<th>Question</th>
<th>Text</th>
<th>Loading</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q24</td>
<td>With regard to the performance of this plant, did you feel that... Someone else was totally responsible... I was...</td>
<td>0.971</td>
</tr>
<tr>
<td>Q25</td>
<td>How much did you feel that someone else was responsible for the performance of the plant Very much... Very little</td>
<td>0.970</td>
</tr>
</tbody>
</table>

Created Four Consumer Groups

- Using the three factors (Repeat, Satisfaction, Responsible) we then divided 377 consumers (81 subjects from incomplete responses) into four groups using a K-Means Cluster Analysis which converged into a solution in 8 iterations resulting in four groups.

<table>
<thead>
<tr>
<th>Repeat Likely</th>
<th>Satisfaction</th>
<th>Responsible</th>
</tr>
</thead>
<tbody>
<tr>
<td>Highly Satisfied</td>
<td>I was responsible</td>
<td>(n=181) (48%)</td>
</tr>
<tr>
<td>Highly Not Satisfied</td>
<td>I was not responsible</td>
<td>(n=38) (10%)</td>
</tr>
<tr>
<td>Likely</td>
<td>Not Satisfied</td>
<td>Not responsible</td>
</tr>
<tr>
<td>Unlikely</td>
<td>Not Satisfied</td>
<td>I was not responsible</td>
</tr>
</tbody>
</table>

Comparison of four consumer groups on three factors

To whom does the guarantee matter?

<table>
<thead>
<tr>
<th>Happy Buyers</th>
<th>Unhappy</th>
<th>Non-buyers</th>
<th>Out of play?</th>
<th>Not happy but potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>This store</td>
<td>This store</td>
<td>This store</td>
<td>This store</td>
<td></td>
</tr>
<tr>
<td>3.99a</td>
<td>2.95b</td>
<td>4.01a</td>
<td>3.40a</td>
<td></td>
</tr>
<tr>
<td>3.93a</td>
<td>2.84bc</td>
<td>3.88a</td>
<td>3.27ab</td>
<td></td>
</tr>
</tbody>
</table>

Take home #2

- Most people were happy, likely to buy again.
- Group 2 (10% and in line with Dennis’ findings) were probably lost, angry, but blamed themselves. Reversible?
- Group 3 (22%) were really blaming us but we were unhappy and not likely to buy again. Are they out of play or can we regain their trust?
- Group 4 (20%) is the big question. They were really unhappy but still likely to give it/us another try and blamed themselves. Could we get them back? Educate them? What might a guarantee (recourse if things go wrong) do for them?

What is a Guarantees Worth?
What’s a guarantee worth?

- “For this next set of questions, imagine that you are at the beginning of the spring season, getting ready to buy some plants for your home that will only live through one season (from spring until fall). Rewind the clock, if you will, to spring 2015. Please answer the following questions as if you were shopping for plants for this past season. Consider how likely you would be to buy each container of plants, using a scale of 0 to 10.”
- Four sizes (described as container top diameter) 6, 12, 18, and 24 inch
- Four guarantee times: 0, 1, 2, and 3 months

How did each group choose plants?

<table>
<thead>
<tr>
<th>Attribute</th>
<th>Overall</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
<th>Cluster 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Plant size</td>
<td>39.3%</td>
<td>30.6%</td>
<td>29.0%</td>
<td>32.7%</td>
<td>30.5%</td>
</tr>
<tr>
<td>Guarantee</td>
<td>27.0%</td>
<td>29.0%</td>
<td>24.3%</td>
<td>31.3%</td>
<td>31.3%</td>
</tr>
<tr>
<td>Price</td>
<td>33.7%</td>
<td>39.4%</td>
<td>36.7%</td>
<td>33.0%</td>
<td>38.5%</td>
</tr>
</tbody>
</table>

Overall, consumers in this study placed the highest (relative) importance on plant/container size, followed by price, then guarantee.
What does this mean for guarantees?

<table>
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<tr>
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<th>Overall</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
<th>Cluster 4</th>
</tr>
</thead>
<tbody>
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<td>Plant size</td>
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<td>30.6%</td>
<td>37.5%</td>
<td>30.5%</td>
<td></td>
</tr>
<tr>
<td>Guarantee</td>
<td>27.0%</td>
<td>29.0%</td>
<td>31.3%</td>
<td>31.0%</td>
<td></td>
</tr>
<tr>
<td>Price</td>
<td>33.7%</td>
<td>39.4%</td>
<td>36.7%</td>
<td>33.0%</td>
<td>38.5%</td>
</tr>
</tbody>
</table>

Repeat likely
Highly satisfied
I was responsible
(n=75)
(20%)

Repeat likely
Highly satisfied
I was responsible
(n=181)
(48%)

Repeat unlikely
Not satisfied
I was responsible
(n=38)
(10%)

Repeat unlikely
Not satisfied
Not responsible
(n=83)
(22%)

Out of Play
back in play?
The Big Question less questionable?

Take home #3

- Guarantees have value; in this study a 20% premium (but this was only with three product attributes).
- Consider which products might need the guarantee (priced over $20, larger containers, multiple-season plants) and offer them with and without a guarantee (add 10% or 15% or 20% to the price or discount if without a guarantee).

How does the perception of a guarantee vary by expertise and involvement?

Expertise and involvement

- Experts are people who know more and use that knowledge to make decisions differently from non-experts.
- Involvement is different from expertise. It may be an indication of “liking” a product or having much of yourself “involved” with that product. It’s something you enjoy.
- Involvement is not equal to expertise.

Overall, plants with guarantees were worth a 20% premium!
How much did you spend in total in 2015 on plants, gardening supplies (excluding equipment)?

<table>
<thead>
<tr>
<th>Expertise</th>
<th>Involvement</th>
<th>Total Spent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>$115.99</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>$155.00</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>$116.56</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>$187.55</td>
</tr>
</tbody>
</table>

Had enough responses to classify 323 consumers on their level of expertise and involvement.

Measured both expertise and involvement

<table>
<thead>
<tr>
<th>Expertise</th>
<th>Involvement</th>
<th>Repeat</th>
<th>Satisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td>30.4%</td>
<td>Not Repeat</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>20.4%</td>
<td>Repeat?</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>17.6%</td>
<td>Repeat?</td>
</tr>
<tr>
<td>Low</td>
<td>High</td>
<td>31.6%</td>
<td>Repeat</td>
</tr>
<tr>
<td>High</td>
<td>High</td>
<td>32%</td>
<td>Repeat</td>
</tr>
</tbody>
</table>

Comparison of Mean Factor Scores of Four Consumer Groups

Involvement, Expertise, and those 3 factors

To what extent was a guarantee a deciding factor for (a) this store and (b) this plant?

<table>
<thead>
<tr>
<th>Expertise</th>
<th>Involvement</th>
<th>Store 2.88</th>
<th>Plant 2.85</th>
<th>Store 4.59</th>
<th>Plant 4.38</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td></td>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

To what extent was a guarantee a deciding factor for (a) this store and (b) this plant?

<table>
<thead>
<tr>
<th>Expertise</th>
<th>Involvement</th>
<th>Store 3.90</th>
<th>Plant 3.82</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Low</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>High</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1= not at all a factor to 7= definitely a factor; Significant difference for both store and plant.
Take-home #4

- Low involvement customers were not as willing to take responsibility for their plant outcomes; High involvement customers were. It isn’t what you know but how much you like plants that contributes to your sense of responsibility.
- High expertise customers were generally satisfied and willing to make a repeat purchase.
- Guarantees mattered more to high involvement customers and high expertise customers.
- Guarantees affected plant selection and, to a lesser extent, store selection.

Key take-home messages

- Plant guarantees appear to matter more to some customers than others.
- Nearly half of the plant purchasers in this study were satisfied and indicated a modest-high probability of repeat purchases.
- Ten percent are probably gone from purchasing. They were highly unlikely to buy again and said that the guarantee did not matter.
- 22% may be ‘out of play’ since they were unlikely to buy again, were dissatisfied, and felt they were not responsible. Educate them?
- Greatest potential impact with plant guarantees may be with Cluster 4 (20%). Although likely to buy again, they were dissatisfied and took responsibility. A guarantee may help them return? Education?
- Plants with guarantees had a price premium (20%).

Put findings into action

- Consider plant guarantees and marketing your policy as a way to enhance customer satisfaction, reduce their perceived risk, and encourage repeat purchases.
- Document the cost of your guarantees and returns?
- Not all returns are created equally. What can the company learn from a return? Is this an opportunity for education or simple plant replacement? What caused the return (can it be prevented)?
- More work to be done: price threshold?

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