



## 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.”

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.



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May, 2005



**Local florists replace competitors' flowers**

On Mother's Day, 28 florists across the United States offered to replace flowers from national drop-ship competitors that didn't live up to recipient standards.

Participating florists promised to replace flowers or provide a certificate redeemable for similar flowers to be used within one month. Consumers had to bring in the original shipping box, wrapping material, flowers and the gift sender's contact information to take advantage of the offer.

Mark Smith, owner of South's Flowers and Gifts in Midland, Mich., reserves that flowers – the fifth size that local shops participating in the campaign. He said they got off to a slow start in February and didn't generate a lot of publicity. "There was not a whole lot of consumer response, but there was some," Smith said. "We're talking about doing it for Mother's Day at this point. Most likely we'll roll along next year at Valentine's."

Members of the local Florists network purchased this annual campaign because they fear consumers will soon

Place orders for flowers from drop-ship florists to replace a drop-ship florist's flowers. They found gifts based on bad experiences with drop-ship purchases. The group is also critical of drop-ship companies' marketing programs that show professionally arranged flowers online, rather than bouquet and boxed bouquets.

"We're just trying to bring some ethics into the business," Smith said.

For more information on this story, visit [www.gmp.com](http://www.gmp.com).  
Photo credit: [www.gmp.com](http://www.gmp.com)

Source: GMPro, May, 2006, p. 8.





### 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, the level of consumer satisfaction was higher.
- ▶ Guarantees influenced many consumers in how they thought about their next purchases!

Source: J. H. Dennis, B.K. Behr, R.T. Fernandez, R. Schultzi, T.J. Page Jr., and R. A. Spreng. 2005. Do Plant Guarantees Matter? HortScience 40 (Feb): 142-145.

### 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%).

Source: Rihn, A.L., C. Yue, C. Hall, and B.K. Behr. 2014. Consumer Preferences for Longevity Information and Guarantees on Cut Flower Arrangements. HortScience. 49(6):769-778.

### 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 idea 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.

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

- ▶ Guarantees may give us a boost in recruiting consumers and 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 Guarantee 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.

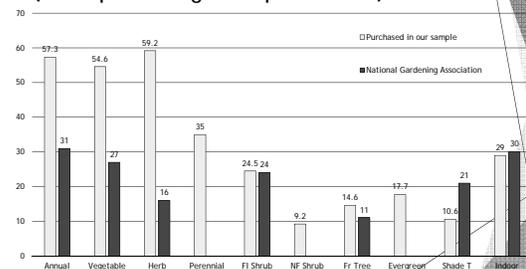
## Online survey using Qualtrics and Global Marketing Insight

- ▶ 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.

## Percent who made plant purchases (multiple categories permitted)



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%)

Guarantees and Returns

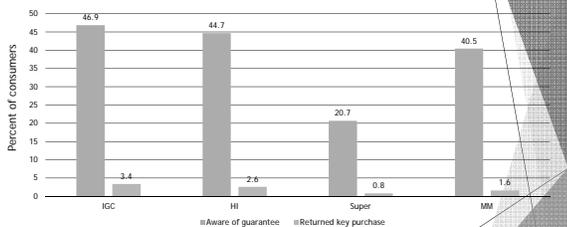
Focus on key purchase

- ▶ Now, we would like you to concentrate on one plant or one container of plants that you bought in 2015. Think only about this plant or container of plants for the next set of questions. This would be a plant or container of plants that you bought that either grew and did well or just didn't grow or do as well as you would have liked. It is important that you can remember this plant or container of plants relatively well or recall some details about it. Which one of these plant purchases was most memorable (that you recall the most about buying it and/or how well it performed)? Please select only one and keep that in mind for the remainder of our questions.
- ▶ Average price: range (\$1 to \$300) mean \$29.52 mode/median \$10

Percent of purchases by outlet

Outlet	n	Avg. Spent	Guarantee Yes?
Independent GC	130	\$44	36.2%
Home Improvement	197	\$25	43.6%
Supermarket	36	\$23	5.7%
Mass market	79	\$19	14.3%

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.
- ▶ Attitudinal measures adapted from Dennis, J.H. and B.K. Behe. 2007. Evaluating the Role of Ethnicity on Gardening Purchases and Satisfaction. HortScience. 42(2):262-266.

## Repeat Purchase, Satisfaction, Responsible

Question	Text	Loading
Q11	Regrettable decision . . . Excellent decision	0.796
Q13	Sorry I bought this plant . . . Glad I bought this	0.829
Q14	Should have chosen another plant . . . Correct choice	0.875
Q16	Likelihood of repurchasing this plant (very low/very high)	0.926
Q17	Probability I will consider buying this plant again (very low/very high)	0.927
Q18	My willingness to buy this plant again (very low/very high)	0.914
Q19	I will purchase a plant like this again (SD/SA)	0.860

## Repeat Purchase, Satisfaction, Responsible

Question	Text	Loading
O10_1	Very dissatisfied . . . Very satisfied	0.911
O10_2	Very displeased . . . Very pleased	0.902
O10_3	Frustrated . . . Contented	0.887
O10_4	Terrible . . . Delighted	0.906

## Repeat Purchase, Satisfaction, Responsible

Question	Text	Loading
Q24	With regard to the performance of this plant, did you feel that . . . Someone else was totally responsible. . . I was	0.971
Q25	How much did you feel that someone else was responsible for the performance of the plant Very much. . . Very little	0.970

## 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.

Repeat likely  
Highly Satisfied  
I was responsible  
(n=111)  
(48%)

**1**



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

**2**



Repeat unlikely  
Not Satisfied  
Not responsible  
(n=102)  
(27%)

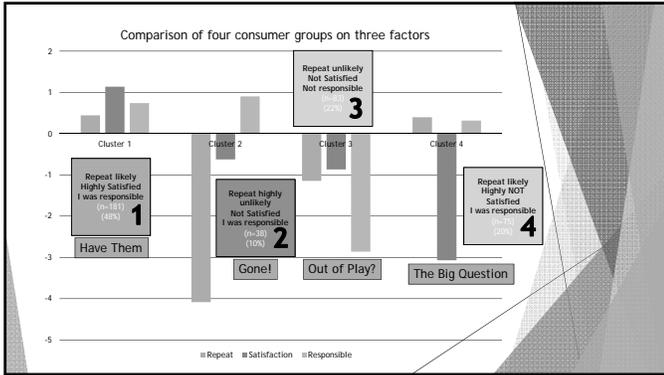
**3**



Repeat likely  
Highly NOT Satisfied  
I was responsible  
(n=26)  
(7%)

**4**





### 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 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
- ▶ Four prices: \$9.99, \$12.99, \$15.99, \$18.99

### How did each group choose plants?

Attribute	Overall
Plant size	39.3%
Guarantee	27.0%
Price	33.7%

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

### How did each group choose plants?

Attribute	Overall	Cluster 1
Plant size	39.3%	30.6%
Guarantee	27.0%	29.0%
Price	33.7%	39.4%

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

Less concerned about plant/container size. Slightly more concerned about guarantees. Highest concern about price.

### How did each group choose plants?

Attribute	Overall	Cluster 1	Cluster 2
Plant size	39.3%	30.6%	29.0%
Guarantee	27.0%	29.0%	34.3%
Price	33.7%	39.4%	36.7%

Repeat highly unlikely  
Not Satisfied  
I was responsible  
(10%)

Plant/container size mattered far less to them than others.  
Most concerned about guarantees.  
Somewhat more concerned about price.

### How did each group choose plants?

Attribute	Overall	Cluster 1	Cluster 2	Cluster 3
Plant size	39.3%	30.6%	29.0%	32.7%
Guarantee	27.0%	29.0%	34.3%	33.3%
Price	33.7%	39.4%	36.7%	33.0%

Repeat unlikely  
Not Satisfied  
Not responsible  
(2%)

Plant size mattered more to them than other groups.  
Slightly more concerned about guarantees.  
About average concerned for price.

### How did each group choose plants?

Attribute	Overall	Cluster 1	Cluster 2	Cluster 3	Cluster 4
Plant size	39.3%	30.6%	29.0%	32.7%	30.5%
Guarantee	27.0%	29.0%	34.3%	33.3%	31.0%
Price	33.7%	39.4%	36.7%	33.0%	38.5%

Repeat likely  
Highly NOT Satisfied  
I was responsible  
(10%)

Size mattered less to them than others.  
Elevated concern about guarantees.  
Elevated concern about price.  
Repeat purchase was likely AND they were highly dissatisfied.

Attribute	Level	Utility Score	Dollar Value
Plant	6-inch	-0.772	-\$4.21
	12-inch	-0.042	\$0
	18-inch	0.228	\$1.25
	24-inch	0.586	\$3.20
Guarantee	0 months	0.376	\$2.05
	1 month	0.752	\$4.10
	2 months	1.128	\$6.16
Price	3 months	1.504	\$8.21
	\$9.99	-0.550	
	\$12.99	-1.099	
	\$15.99	-1.649	
	\$18.99	-2.198	

Overall, plants with guarantees were worth a 20% premium!

Each point change in utility represents \$5.46 for only these two attributes.

### Take home #3

- ▶ Guarantees have economic 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)
- ▶ Concerned about offering a guarantee? Offer plants priced 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.

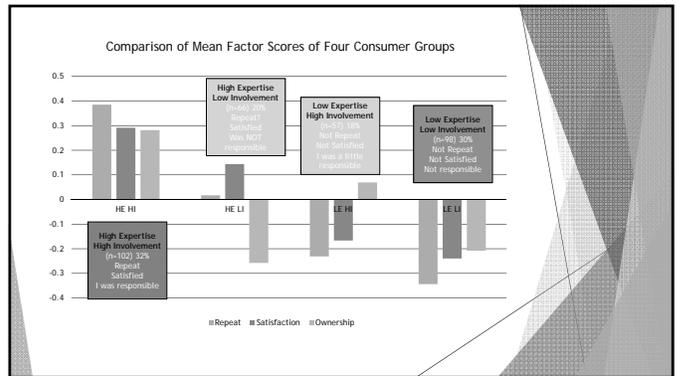
### Expertise and involvement

High involvement	Love the product Don't know a lot	Love the product Know a lot
Low involvement	Don't love it Don't know much	Don't love it Know a lot
	Low expertise	High expertise

### How much did you spend in total in 2015 on plants, gardening supplies (excluding equipment)?

High Involvement	\$116.56	\$187.55
Low Involvement	\$115.99	\$155.00
	Low expertise	High expertise

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



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

	Store 2.88 Plant 2.85	Store 4.55 Plant 4.38
	Low expertise	High expertise

1= not at all a factor to 7= definitely a factor; Significant difference for both store and plant

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

High involvement	Store 3.90 Plant 3.82	
Low involvement	Store 3.53 Plant 3.41	

1= not at all a factor to 7= definitely a factor; store was NS but plant was (p=0.082).

### Take-home #3

- ▶ 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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