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To learn more about Mafia Offers that include extraordinary guarantees, visit www.MafiaOffers.com

"Our company participated in a Mafia Offer Boot Camp in late November 2006. With the ideas and guidance we received from the Boot Camp we have achieved three highly important outcomes.

We transformed our historical 60%, on time record to 100% on time, in about six weeks. We have now been 100% on time for the last four weeks. We found …..hidden production capacity and also increased our profitability. We will start bringing our Mafia Offer to market this week.

We have never had these kinds of dramatic results, or results so fast with any other thing we have tried, and we have tried everything.

This is one program that delivers what they claim."

Richard Pettibone
Drewco Corporation - Designer and Builder of special workholding devices.

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Guarantees Deliver Customers

Christopher W. Hart

An "extraordinary guarantee"—a radical departure from a typical low-octane guarantee—has proven to be a powerful catalyst for galvanizing an organization to eliminate the causes of customer dissatisfaction in every part of its business. Amazingly, every company that has successfully implemented an extraordinary guarantee has dominated its competitors and dramatically improved its financial performance.

Tom Jones, CEO of Epsilon, a database-marketing company since acquired by American Express, once wrote a check to a dissatisfied customer for $210,000—the entire fee. How would you have felt? Upset? Sick to your stomach? Embarrassed? "Call me crazy," said Jones, "but I was excited!"

Why? Because the refund was the first payout his company had made since implementing an extraordinary guarantee promising unconditional satisfaction—or a 100 percent refund. A marketing pitch was the last thing Jones had in mind. "I wanted to 'take away the safety nets,'" he said, referring to the idea Toyota made famous with Just-in-Time Inventory (JIT). Epsilon's extraordinary guarantee "turned up the pressure on the hose," exposing leaks and galvanizing the organization to plug them.

"There are few moments of opportunity where a CEO can create major change through a single, symbolic act," Jones stated emphatically. "This was one of them." He arranged to personally deliver the check to the customer's president, who tried not to accept it, pointing out that Epsilon's work wasn't that bad. But Jones insisted.

The story spread like wildfire through Epsilon, creating urgency to find and eliminate every possible cause of customer dissatisfaction. "That $210,000 was the best investment I could have made," said Jones, with a glint in his eye.

In 1988, I published an article on extraordinary guarantees in Harvard Business Review that caught the attention of many CEOs. Without exception, every company that has effectively implemented an extraordinary guarantee has achieved spectacular across-the-board results, including where they count most: increased earnings. Given this track record, how is it possible that effective extraordinary guarantees are so rare?

Many companies, excited by the idea, have developed extraordinary guarantees that initially had the power of Epsilon's. Time and time again, though, those guarantees were gutted after scrutiny from legal, finance and operations people, who felt their duty was to minimize the possibility of any customer invoking them. Even if an enlightened executive team shepherded an extraordinary guarantee through this gauntlet, execution failure proved many firms' Waterloo. Unlike in a factory, where missing any steps in major process changes produces immediate, painful consequences, falling short on important extraordinary guarantee implementation steps, such as training employees in customer-facing positions, will not stop the workflow. Business continues as usual, but the company will never achieve the extraordinary gains companies like Epsilon reap. The result is an untapped reservoir of opportunity for firms in broadly diverse businesses.

What Makes a Guarantee Extraordinary?

Unlike typical, mundane guarantees that protect companies more than their customers, an extraordinary guarantee is a powerful promise, backed by a Draconian payout that forces a company to keep it— or else! Such a guarantee has three vital components: the promise, the payout and the payout process.

- **The Promise:**

An extraordinary guarantee promise is a no-holds-barred statement of the benefits a company commits to providing its customers. Notably absent is the fine print that lards typical guarantees down with restrictions customers immediately see as self-protecting "weasel words."

Take Hampton Inn, which in 1990 was one of the first companies to implement an extraordinary guarantee. Every guest is greeted at check-in by signs stating: To make sure guests get the message, front-desk people are trained to ask, "Are you familiar with our 100 percent guarantee?" Any hesitation produces an explanation that leaves no doubt that Hampton is serious about living up to its promise.

- **The Payout:**

If customers don't get what they're promised, an extraordinary guarantee includes a payout that leaves them thinking, "Wow!"

This idea is counterintuitive and scary at first. The knee-jerk reaction of nearly all CEOs is, "That would cost us a fortune!" reflecting a lack of confidence in their company's ability to consistently provide customers with the benefits they promise. That is exactly the point.

The seemingly breathtaking risk an extraordinary guarantee embodies jolts an organization. "Are you serious? Do you know what would have to change before we could do something like that?"

But when, like Tom Jones, you respond, "Not only are we serious, but I challenge everyone in our organization to think through what changes we would need—and how to make them," the result is the rapid improvement necessary to offer an extraordinary guarantee with confidence that invocations will be rare. Like in JIT, the painful consequences of not making necessary changes ensures that they are made.

A guarantee payout that would inflict significant pain on your company will also stun your competitors.

How would you feel if you suddenly learned that a major competitor was targeting your most coveted customers with an extraordinary guarantee? "They're doing what? Are they crazy?" After much gnashing of your executives' teeth, the inevitable conclusion would be: "Maybe they're crazy—but we've got to respond!"

Suppose, though, that your company did a textbook job of guarantee design and implementation, forcing your shocked competitors to respond. The typical competitive response would be a guarantee that is similar—but only on the surface. To believe that a company could offer an extraordinary guarantee with no planning or preparation is ludicrous.

First, employees, uninformed, untrained and having done nothing to become guarantee-ready, will shake their heads in disbelief: "They've decided to do what?" They will correctly conclude that management has made one of the great bonehead moves of all time. What they don't know, of course, is that sharp minds have tweaked the guarantee to minimize the possibility of any customer invoking it, and that those who try will find themselves in a meat grinder involving proof, investigation, multiple levels of approval, lack of response to questions—the list goes on.

Nearly all customers, however, will be quick to sniff out the guarantee's holes, embarrassing any salespeople naïve enough to pitch it. The result will be exactly the opposite of the differentiation and loyalty a true extraordinary guarantee creates. As the reality of its folly sinks in, your hapless competitor will hope its guarantee fades into obscurity before it does too much damage.

Too late. Its aborted effort is your gain, strengthening your extraordinary guarantee's credibility and giving weight to the idea that your firm not only claims to be, but actually is, the best. That's competitive strength. CEOs should never forget that a strong payout is the linchpin of an extraordinary guarantee's power.

- **The Payout Process:**

So you offer a guarantee with a strong promise and a meaningful payout. Great—but not if customers find the payout process to be as enjoyable as passing kidney stones.

First, an extraordinary payout process needs to be proactive and empathetic.

At Hampton Inn, nothing impresses guests more than seeing their bills ripped in half when they mention a problem during checkout. Second, the payout process must communicate your intent to find and rectify the causes of customer problems—or they'll assume that the problems will reoccur. Finally, you must reach out to customers when you have dealt with the causes of their problems. Thank them for providing valuable quality-improvement information, let them know what action you've taken, and give them a token of your appreciation.

Amazingly, this last step—reaching out to customers—rarely happens. When was the last time you received this kind of communication from a company? If you did, how would you feel? Now the killer: What would happen if your customers felt this way about your company? An extraordinary guarantee creates the opportunity to find out.

Ironically, whenever a company's executives explore the extraordinary guarantee idea, someone makes the point, "If one of our good customers has a serious problem, we always end up doing what it takes to satisfy them anyway. Why do we put them through such torture?" Inevitably, a chorus of nods follows.

What are the chances of the same situation playing out in your company? Pretty high, I'll wager. Over the years, protective layers build up that do nothing but waste resources and corrode customer loyalty. Simply exploring an extraordinary guarantee will bring this insidious problem to the surface and create an opportunity to slice through the web of counterproductive policies and procedures that rarely get any attention.

The Financial Case

Tom Raffio is the CEO of Northeast Delta Dental, which provides dental insurance to employers in Maine, New Hampshire and Vermont. Following is an excerpt from a letter he wrote to me:

"Much of our success is directly due to the quality culture created by our Extraordinary Guarantee. It has been responsible for the overwhelming majority of our company's growth in subscriber base, customer retention, reserves and corporate reputation. Our 'smooth conversion guarantee' has been particularly instrumental in landing new corporate customers.

"The guarantee has been the catalyst for our process improvement efforts, 'closing the holes in our hose'—an analogy I first heard from you [that we still use]."

The company credits its extraordinary guarantee for its ability to win the Granite State [Vermont] Best Place to Work Award four out of the first five years it was offered and, two years after entering national competition, be named the Best Small Company to Work for in America.

The improvements the extraordinary guarantee spawned have also enabled Northeast Delta Dental to charge prices 20 percent higher than those of the competitors, while simultaneously increasing its market share from less than 25 percent in 1995 to over 80 percent in 2006. Now that's a financial case!

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