

Chapter 20

Warranty of Misinforming: An Overview of Applicability

ABSTRACT

This chapter summarizes different aspects of warranty of misinforming from point of view of its applicability in business practices nowadays. In the case of e-commerce, a regulation is launched that guarantees the rights of the clients to return the product purchased on-line. This corresponds to the implicit form of warranty. The chapter provides a general discussion on applicability of warranty of misinforming by adopting the standard assessment techniques as feasibility studies and SWOT analysis.

INTRODUCTION

This part of the book introduces some ideas related to warranty as a business practice by emphasizing the warranty of misinforming. This form of risk-sharing can be represented by the slogan “if not fully satisfied, money back guaranteed”. Very recently, with the introduction of online trades, were recognized various additional aspects of this slogan. On the one hand the growth of on-line commerce increases the importance of such practice, but on the other hand increases the volume of the eligible claims of unsatisfied clients. The slogan above deserted from pure promotional role toward a real valuable business policy of sharing risks. As a relatively new phenomenon, economically reasonable application of warranty of misinforming desires careful rational and data driven management and appropriate models to support feasibility evaluation.

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Combining traditional warranty – warranty of malfunctioning, with warranty of misinforming is major concept discussed in the previous chapters. Several issues were presented as:

How to decide whether it is worth introducing a pure or mixed warranty for a particular business?

How does one can define “the best” parameters of such a practice or policy, especially in the case of a pure warranty of misinforming and of the mixed warranty policy?

How to predict what is its effect on the business and how to quantify and measure this effect?

The increased volume of product warranty returns, due to the clients being “not fully satisfied” and, because this type of warranty often is a default coverage for the indirect commerce, makes the Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis of the warranty of misinforming an essential tool in evaluating its effectiveness. It requires a careful analysis of feasibility, cause-and-effect analysis and possibly other techniques used to improve rationality and justification of any business decision.

The four components of SWOT - Strengths, Weaknesses, Opportunities, and Threats - are the common components of any methodology aiming to answer to the following question “Should the option/decision be enforced or neglected?” Or, in other words, what are the break-even values of the decision parameters that will make it beneficial from a business point of view. The common practice in making any important business decisions is to clearly understand and provide a proper interpretation of these main four aspects of their implementation, i.e., clarify the strengths, weaknesses, opportunities, and threats of any potential effect of the decision on the “health” of the business and to assess the set of business parameters, which makes the decision feasible.

The use of promotional slogans like “if not fully satisfied money back guaranteed” used for promotion has been a common business practice for years. It represents a special kind of warranty coverage, and as the classical warranty serving sharing risks needs a careful assessment of expected cost. On the one hand the growth of on-line commerce in the last 20 years increases the importance of such a practice, but on the other hand increases the volume of the eligible warranty claims. National and international regulation of business practices also addressed this kind of risk by providing protection for customers who have bought on-line goods that doesn’t meet their expectations as understood by the advertisement.

The increased volume of product warranty returns, due to the clients being “not fully satisfied” and, because this type of warranty often is a default coverage for the indirect commerce, makes the need of careful assessment and the SWOT analysis

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