

# Innovations in quality assurance as an element of the company's competitiveness

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## Abstract

The aim of the article is to analyze and evaluate marketing innovations used in quality assurance as well as develop the model of differences and similarities between them. Innovations are understood in this case as generating new value for the customer. Strong market competition makes it necessary for companies to gain customers' trust. For this reason, marketing innovations, including those relating to quality assurance, may take the form of a tool (instrument) of trust. However, they must be very attractive for the customer and stand out on the market.

The adopted research method is the qualitative analysis of foreign and Polish literature, including legal regulations. Prolonged, extended, door-to-door, and lifetime warranty was taken into account. The model of similarities and differences of innovative activities in quality assurance allowed for establishing that the warranties analysed do not significantly differ among one another. However, each one is a "step forward."

**Paper type:** review article

**Keywords:** enterprise, competitiveness, quality assurance, warranty, innovation, value for customer/consumer

## Introduction

The complexity of the socio-economic reality and the increasing competition of enterprises as well as the complexity of the processes occurring in them make it necessary for the customers/consumers to become increasingly aware of the value cre-

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ated for them. This requirement is highlighted by Simon (1995, p. 14) claiming that enterprises still have to acquire the right to exist all over again.

Today, innovations are considered the key to the competitiveness of enterprises, and the ability to innovate allows them not only to survive, but also to develop and grow (Janszen, 2000, p. 5; Timmerman, 2009, p. 6; Brdulak & Gołębiowski, 2003, p. 18; Knosala, Boratyńska-Sala, Jurczyk-Bunkowska, & Moczala, 2014). The volatility of the environment results in the fact that businesses are forced to make changes in their business activity and to adapt their strategies to not only threats but also opportunities emerging. In the literature of the subject one often draws attention not only to the benefits innovations bring to enterprises, but also to new values for the customer/consumer and stakeholders (e.g. Sullivan & Dooley, 2009, p. 5; Timmerman, 2009). It is also stressed that innovations are both single and multi-dimensional (Garcia & Calantone, 2002; Salavou, 2004). For this reason, innovations concern a wide variety of activities, including activities in the area of quality assurance which could be a marketing factor for the company's competitiveness.

The idea of quality assurance boils down to the claim that the complex technical structure of products results in the manufacturing process including errors, or deviations from the requirements, which are often impossible to detect in the early stages of the manufacturing process. The manufacturer does not want to be perceived in terms of unreliability of business. Regardless of legal privileges, he voluntarily gives consumers extra attractive and new privileges distinguishing him from the competition. Quality assurance as a marketing tool must in fact take the form which may gain the trust of the consumer.

Therefore, the aim of this study is to analyse and evaluate marketing innovations used in quality assurance, as well as to develop a model of differences and similarities in their structures. The following have been taken into account:

- prolonged warranty,
- extended warranty,
- door-to-door warranty,
- lifetime warranty.

The applied research method – qualitative analysis of foreign and domestic literature, including legislation – allowed us to achieve the aim. This study is only an outline of the issues requiring in-depth research in the future.

## 1. The nature and importance of innovation

The term innovation is associated with something new that could improve the status quo. Although Schumpeter, an Austrian economist, in a book entitled *The Theory of Economic Development* published in 1934, first used this concept in relation to

the events associated with the launch of a new product, new technology, new market for goods, acquisition of new sources of raw materials and new structures and organizational methods, in the new socio-economic conditions the term refers to a number of various activities (Schumpeter, 1960, p. 104). It should be emphasized that Schumpeter called innovation an essential factor in economic development (Fiedor & Kociszewski, 2010, pp. 162–163). Thus, the narrow meaning of innovation relating to the former invention together with the development of new concepts of management expanded primarily on the processes leading to the creation, production and marketing of new products and services intended for the customer/consumer. According to Janasz and Koziol (2007) the term has technical roots, but now has become a factor of economic competitiveness of enterprises. Innovation started to be defined as generating new value. This aspect was highlighted in the statements by Drucker (2004, p. 29) who associates innovation with the continuous search for changes and a source of wealth and Kotler (1994, p. 85) who stresses that innovation is related to the choice of new value, its creation and delivery to the market. Similarly Tidd and Bessant (2011, pp. 89–91) argue that innovation refers to the process of creating something new. This process includes: searching for opportunities to innovate the result which creates an opportunity to generate new value and its practical implementation. It is necessary to mention the interpretation of innovation by the *Oslo Manual: Guidelines for Collecting and Interpreting Innovation Data* (2005, p. 48) describing standards regarding innovative activities of enterprises. Innovation is understood as the introduction of a new or improved product, the use of the improved process, it may also involve changes in the methods of management, organization of production of work conditions, and qualifications of personnel. As you can see innovation does not relate to the creation only (e.g. product, process and organizational innovations), but includes aspects of marketing aimed at gaining the trust of the customer (marketing innovations).

## 2. Quality assurance and approach to innovations

Quality assurance is considered a particular area of innovative activities of companies associated with product liability. The need for innovation in this area is the reflection of ever widening globalization (Malara, 2006; Boutellier, Gassmann, & von Zedtwitz, 2008). Innovation understood as the ability to generate new value is seen as a dialogue of manufacturers of goods and their consumers (Tapscott, 1998). The Japanese as early as in the 80s recognized innovation as a factor of competitiveness of “tomorrow” (Pfeifer, 1993, p. 48), and in the 90s in the European Convention on Quality in Paris it was considered an essential factor in competitive actions (*The roots of quality*, 1998) and the quality was not a factor of competitiveness but a necessity (Kaplan & Norton, 2001).

The literature of the subject has not developed a uniform definition of quality assurance. This concept is not widely interpreted. Nevertheless, one can notice two approaches:

- warranty as a unilateral action,
- warranty as a contract – additional claim in relation to the fundamental contract.

In the first approach – the warranty is aimed at the consumer – it requires the seller to remove any incompatibility. The content of this declaration must be in accordance with basic statutory requirements. The link between the seller and the buyer is the purchase of the product. What matters is only one party in the contract – the guarantor (Wieczorek, 2005; Pecyna, 2012).

In the second approach – what is emphasized is the direct connection of the warranty with the sale-purchase agreement. Warranty treated as a contract constitutes a voluntary additional condition referred to the basic agreement. The consumer has a choice (they may agree or not agree). If they do not accept such a solution, there will not be any new rights and obligations related to the warranty on their side. The same applies to the guarantor. In addition, the literature emphasizes the elements that allow the recognition of a particular document as the warranty statement. These include, inter alia, an indication of characteristic properties of the product marketed, obligation to remove any non-compliance and consumer rights (Stefanicki, 2006).

In this study it was assumed that quality assurance is an additional privilege independent of legal provisions which the guarantor voluntarily grants to consumers in the case of the claim of defect of the product purchased by them (goods, products). The aim of the guarantor is to gain the trust of the prospective consumer. They assure that they are capable of ensuring a sense of consumer safety and in the case of non-compliance they are ready to redress for their grievances. The scope and content of the warranty must be greatly varied to be a factor of competitiveness and so that the consumer can follow their content when purchasing goods (more Zymonik, 2015, pp. 230–246).

Interpretations of the concept of the warranty are similar. The most common problem researchers cite in their studies are the legislative regulations of the Community and national law. The review of these regulations in terms of complex issues related to quality assurance leads to the conclusion that the scope for interpretation is very similar in them. There appears the term “guarantor” that declares that they will protect the buyer in the event of the claim of defect of the product purchased. This means that they are committed to redressing the consumer grievances in the case of the inconsistency of the product with the agreement.

The actions of the guarantor can lead in two directions:

- inclusion of standard elements used by the competition in the warranty,
- introduction of provisions used to a limited extent by competition or those which it does not use at all.

In the first case, the producer, who is the issuer of the guarantee is focused on components that can be found in every warranty document, that is, the headquarters of the guarantor, the duration of the warranty, place of its submission, the obligations of the guarantor and the permissions of the buyer. Only on their basis do they create differences which will be visible to the consumer.

In the second case the guarantor departs from the accepted standards and offers new solutions which might include:

- providing consumers with the warranty longer than the one offered by the competition,
- granting consumers more privileges than in the case of a typical warranty,
- increasing the scope of responsibilities of the guarantor,
- facilitating the submission of warranty claims.

Another field of activity of the economic organization, seeking within the quality assurance competitive advantage, is the introduction of provisions that other economic organizations apply to a limited extent or do not apply at all. This implies the need to make decisions that will overtake the actions of other guarantors. Nevertheless, these decisions must be thought over so that the organization applying them is able to fulfil them.

### 3. Model approach to innovative warranty solutions

The most recognizable innovative activities within quality assurance include: prolonged warranty, extended warranty, lifetime warranty and the introduction of the door-to-door option. This list does not exclude possible innovative activities of the guarantor. The most popular options have been listed here (more Zymonik, 2015, pp. 247–255). However, what stands out here are the activities aimed at prolonging the period of warranty protection or extension of its terms and conditions. The starting point for this type of solutions are basic warranty conditions and its duration. On their basis, the manufacturer introduces the indicated innovations that constitute the extension of provisions contained in the standard warranty document. They may include, for example: theft, burglary, fire, flood and mechanical damage (Tez, 2012).

Therefore, diverse variants of protection are created and presented to the consumer upon the conclusion of the contract. On the one hand they can choose a basic guarantee, and on the other prolonged and extended. Moreover, the manufacturer may present a buyer with several options within a single innovation (e.g. different versions of the extended warranty). This is particularly evident when ordering home electronics and appliances via the Internet. The options of prolonged or extended warranty quite often appear in this industry. This is due to the fact that the

life cycle of these products is becoming shorter. On the one hand, the reason for that is the use of poor quality (and cheaper) materials to produce the final product, and on the other – the introduction of extensive electronics and sophisticated software. Manufacturers explain this type of action by saying that they strive to ensure that prices for their products are affordable for every buyer. What should also be emphasized is the short life cycle of appliances due to technical progress (*Przedłużona gwarancja do telewizorów: czy warto kupić*, 2015). Thus, it may turn out that the duration and scope of the standard warranty will be insufficient to provide consumers with sufficient protection.

Given that the extension of the warranty is supposed to increase the attractiveness of the product and to improve its competitiveness, there is some doubt about burdening the consumer with additional costs if they want to take advantage of such innovations.<sup>2</sup> Consumers, when using the product, risk (e.g. in the case of flooding of the appliance or the occurrence of mechanical damage). Nevertheless, the consumer may financially benefit from this situation. The result of this is the possibility of refunding the value of the entire product and the option of receiving a new model for free. It can be illustrated by the consumer who has been using a TV set for 3–4 years. In the case where it is unprofitable to remove the defect (e.g. in the case of damage to the matrix) and this model is not available on the market, the buyer will receive a new and improved model free of charge.

Innovative activities of the manufacturer within quality assurance may also rely on the introduction of the door-to-door option and making it lifetime. These conveniences allow the consumer to save time and costs associated with the delivery of the product to an authorized service centre and provide them with protection for the period of production of given goods. In the first case the warranty privilege is carried out at the consumer's home. It is the guarantor who collects the defective product from the consumer's home, and after its repair delivers it to the consumer. They bear transportation costs and costs relating to possible disassembly and assembly. Door-to-door is not only a supplement to the basic warranty, but it may also be the part of the extended warranty. The main responsibility of the consumer is to preserve the original packaging in which the product will be sent for repair. The indicated innovation can be particularly useful to the consumer in a situation where he/she may have problems with self-transportation of the product due to its large dimensions (e.g. wardrobes, refrigerators, washing machines, etc.). The second of these innovative solutions can raise some interpretation doubts. This is due to the lack of a universal interpretation of a lifetime warranty. In fact, it is the manufacturer who defines its meaning. The meaning of a lifetime warranty may therefore be manifold. It is often linked to the life cycle of the product and the produc-

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<sup>2</sup> Only some manufacturers decide to introduce prolonged or extended warranty for free. For example, Toshiba introduced this for some models of laptops and Bosch for electro tools and the blue-line measuring instruments.

tion of its series. It, therefore, can apply for as long as the products of a given series are manufactured. One can find provisions that associate the lifetime warranty with the length of the life of the consumer. An example is the AVC warranty on all the SMART exchangers of hot water. In accordance with its terms, it is applicable at the place of residence of the consumer, where SMART has been installed and ends with the death of the person who registered this warranty (Intrata S.C., n.d.). Unfortunately, a lifetime warranty is not always accompanied with the precision as in the example above. Imprecise duration of protection during the use of the product constitutes a threat to the interests of the consumer. The period of the lifetime warranty is not always highlighted. In such a situation it puts the attractiveness of the innovation applied into question. Theoretically, it could lead to a paradoxical situation where the consumer purchases the product, and a week later receives the information that the production of this series of products has been ceased. In this case, the product was covered by the protection warranty only for 7 days. With this in mind, manufacturers who want to reach buyers with their offer by enriching it with a lifetime warranty must clearly explain its meaning and duration to the buyer. Benefits for the consumer may be quite significant here. From the moment of the purchase, the production of the series may take several years.

The presentation of the above examples of innovative measures taken by the manufacturer in quality assurance encourages one to propose a model of the similarities and differences in their structures. It was illustrated in Table 1.

Table 1 *Model of the similarities and differences of innovative activities in quality assurance*

Differentiator of similarities/differences in innovation	Prolonged warranty	Extended warranty	Door-to-door warranty	Lifetime warranty
Duration of warranty with innovation is clearly indicated	yes	yes	yes	no
Indication of entities responsible for its implementation	yes	yes	yes	yes
Burdening the consumer with extra costs	yes/no	yes/no	no	no
Innovation protects the consumer only in the case of a claim	yes	yes	yes	yes
Innovation is used in separate warranty (independent of the basic one)	yes/no	yes/no	no	no
Obligation to deliver the product to the service centre	yes	yes	no	yes
The solution applied is a factor of competitiveness	yes	yes	yes	yes
Universal interpretation of the innovation applied	yes/no	yes/no	yes	no

The similarities and differences in innovation solutions used in quality assurance show high convergence. Each of the solutions represents a “step forward” compared to standard warranty options. One can also see some differences, but they do not affect the order introduced by the guarantor. It should be emphasized that the scope of protection of one of them (extended warranty) is greater than in other cases. The guarantor is focused here not only on the longer period of its duration (extended warranty) or individual privileges (the door-to-door warranty), but it defines a comprehensive suite of complaint privileges. However, it should be emphasized that all the selected innovations are based on the provisions of the basic warranty. It constitutes a kind of basis for improvement actions. In the case of using some of them, the consumer is charged with additional costs (prolonging or extension of the warranty). Manufacturers explain this with higher level of responsibility for the quality of the product than in the case of the standard warranty (e.g. they are also responsible for accidental damage to the product).

## Conclusions

The analysis conducted confirms the growing role of quality assurance as a factor of competitiveness. Its full use which could be beneficial to the manufacturer will be possible only when they focus their actions on innovative solutions. Introducing them into quality assurance will not determine the selection of the offer by the consumer, but will increase the likelihood of at least drawing the attention to the product. The scope of these solutions cannot be accidental, deviating from the expectations of buyers. The proposed solutions cannot be occasional. They must be stored for a longer period of use. What's more, their practical implementation must be friendly enough for the consumer so that the guarantor does not lose its credibility to their buyers.

The issues addressed in this study require further and in-depth research. One should determine the value of the benefits of each of the identified innovations for consumers and the guarantor. In addition to that, it is worth identifying the leading innovation that brings the greatest benefits for the parties to the agreement. These studies will help determine which of these expectations are possible to meet, and which of them should be executed in the form of different kinds of law regulations in the first place.

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