

# Profitable Guarantees

**Everything You Need To Know  
About Using Guarantees To  
Increase Sales.**

**BY**

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## Introduction

Using a strong guarantee statement in your sales letters will increase your sales, and your profits.

In this book you will learn:

- How to write a strong guarantee statement.
- Why you should offer a guarantee.
- Why buyers request refunds, and how to lower requests.
- Popular misconceptions for not offering a refund.
- Different types of guarantees.
- What influences the length of your guarantee.
- How to track your return rates.
- What is an acceptable return rate for your product.
- How to evaluate your returns with numbers or money.
- How to handle refund requests and ways to lower return rates.

Offering guarantees and accepting returns is a touchy subject. It is a very emotional topic. Some marketers believe no amount of returns is acceptable. Others consider only the dollars. Some people are afraid of theft. Others see returns as personal rejection.

Offering a guarantee should not be an emotional ordeal. A rational approach to offering a guarantee based on testing and tracking return rates and the profits is a more suitable approach to the subject.

Before we get started we need to define guarantees and warranties. Many people consider guarantee and warranty synonyms, and use the words interchangeably.

In a legal sense a warranty differs from a guarantee because warranties deal with the merchantability of consumer products, while satisfaction guarantees are specific statements made by the retailer explaining remedies for dissatisfaction.

Guarantees are actually a subset of warranties. This book is written for information marketers and covers only satisfaction guarantees. The sales letter told you this book will show you how to increase your sales by using guarantees. This is an implied warranty. Merchantability means the product does what it claims to do.

In other words, the contents of this book have to match the expectations created by reading the sales letter. If you bought this book expecting it to be about guarantees and discovered it was about golf the implied warrantee would allow you to get your money back.

Since this book is about satisfaction guarantees the implied warrantee is met. While reading the rest of this book, you will determine if you are satisfied with the material. Your feeling of satisfaction (or lack of satisfaction if I have done a poor job explaining the material) is all that is required to exercise a satisfaction guarantee.

In this book we will only discuss satisfaction guarantees and how they relate to selling information products.

Before we get started on the topic of using guarantees to increase sales and profits lets take a few minutes to cover the legal definition of a guarantee.

## **Legal Considerations When Using Guarantees.**

I am not a lawyer and the advice in this book is not meant to substitute for legal advice. However, a bit of background on the laws will help you understand and avoid problems.

Here are the actual U.S. federal laws relevant to guarantees. You can read additional material by searching any legal database for **Magnuson-Moss Warrantee Act** or **16 CFR Parts 239**.

### **§ 239.3 "Satisfaction Guarantees" and similar representations in advertising; disclosure in advertising that mentions "satisfaction guarantees" or similar representations.**

(a) A seller or manufacturer should use the terms "Satisfaction Guarantee," "Money Back Guarantee," "Free Trial Offer," or similar representations in advertising only if the seller or manufacturer, as the case may be, refunds the full purchase price of the advertised product at the purchaser's request.

(b) An advertisement that mentions a "Satisfaction Guarantee" or a similar representation should disclose, with such clarity and prominence as will be noticed and understood by prospective purchasers, any material limitations or conditions that apply to the "Satisfaction Guarantee" or similar representation.

### **§ 239.5 Performance of warranties or guarantees.**

A seller or manufacturer should advertise that a product is warranted or guaranteed only if the seller or manufacturer, as the case may be, promptly and fully performs its obligations under the warranty or guarantee.

Simply put these two sections on guarantees say if you offer a guarantee, you must give the buyers money back when requested.

I recommend you use a strongly worded specific guarantee and immediately refund buyers money when asked. If you follow this course you should not have legal problems. If you want legal advice consult an attorney.

## Why Offer A Guarantee?

You have undoubtedly seen sales letters with strongly worded guarantees.

Statements like –

**“If you are not happy with this product, return it and we will refund your money.”**

This is a very strong guarantee.

When done correctly, offering return privileges will get buyers off the fence, and increase your sales. A guarantee increases your profits because you have more sales. Simple math shows if you get 10 additional sales by offering a refund and 3 people who would not have bought otherwise end up refunding, you still end up with 7 additional sales. We will talk later about how to measure your increased profits.

The biggest reason for offering a satisfaction guarantee is to lower the buyer's resistance by removing the risk. When you offer a guarantee, you are removing the buyer's risk and taking that risk on yourself as the seller. This is called **Risk Reversal**.

Maybe the simplest reason for offering a guarantee is to make clients for life. A well written return policy adds trust to your sales message. The guarantee – even when it is exercised – shows your clients you are trustworthy.

## Why Do Buyers Request Refunds?

There are five basic reasons buyers request refunds. By learning why people ask for refunds you can design your marketing to lower your return rate.

1. Unhappy with product.
2. Product does not meet buyers needs.
3. Buyer's needs change.
4. Theft.
5. Outside causes.

One reason buyers request refunds is they are unhappy with your product. This may indicate you are over hyping or over selling in your sales letter. This could also indicate the buyer did not adequately read the sales letter. Unhappy buyers might also mean the product is not of high enough quality or does not meet the expectations of the buyer. You can correct this by reworking your product and/or the sales letter.

The second reason for refunds is the product does not meet the buyer's needs. Usually in Internet marketing when a product does not meet buyer's needs, this is because they have not adequately read the sales letter. Many buyers decide that rather than reading through the entire sales letter, they will just purchase it. They know they can easily get a refund if the product does not meet their needs. This is not a bad thing.

Many people will end up keeping something that they have purchased without adequately researching. Remember, one of the main reasons for a strongly worded guarantee statement is to get buyers off the fence. So if you can get a buyer to purchase knowing if it is not right for him, he can refund, it increases the possibilities of you making more money.

When someone buys without reading your entire sales letter, you need to really WOW! them when they get the product. Later in this book you will learn some ways to WOW! your buyers into keeping your products.

The third reason for refunds is the buyer's needs change during guarantee period. A common example of changing needs is someone searching for a business opportunity, or, in other words, a way to make money. These are called Biz-Op seekers.

Biz-Op seekers buy information products about making money. They are looking for a business to start. After reading a bunch of different business opportunity manuals they select one and return the others.

Another example is the internet marketer who buys a book about Search engine optimization and then decides to pay an expert to optimize his site instead.

These kind of returns cannot be avoided. People who request refunds because their interests and needs have changed are just not interested.

The fourth reason people request refunds is because they are stealing the product. They purchased the item with the specific intention of asking for a refund. The buyer thinks of this as a way to get something free, but this is just theft. This happens less than you might think.

While some sellers go to great lengths to avoid being victimized by thieves, I think it is better to just consider it a cost of business just as a storekeeper considers shoplifting a cost of business.

The last of the five reasons people ask for refunds is outside causes. These are cause and effect type deals which usually can not be affected or controlled during the selling process.

A few examples of uncontrollable refunds are:

- A company goes bankrupt and the receiver sends everything back to raise money for the creditors.
- When people need money – for example the buyer is unable to make the rent or car payment - and decide returning your product is an easy way to get some quick cash.
- The buyer's spouse gets upset about the purchase and forces a refund request.

By addressing the first two reasons for refunds, a marketer can control and reduce refund requests. The last three reasons for refunds are usually beyond the marketers control. There is no way for the marketer to combat these uncontrollable reasons. People returning because they need cash can be influenced by offering timed bonuses. We will talk more about this later.

## Reasons For Not Using Guarantees.

Many marketers do not use guarantees because they fear theft. This is the most common reason for not offering return privileges. Theft rates vary depending on the niche, and are usually quite low.

Check out these emails I exchanged with someone about my eBook on starting an eBay consignment business:

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From: Name Removed  
To: Terry Gibbs  
Sent: Sunday, October 05, 2003 12:37 PM  
Subject: Contract for selling on Ebay

Hi...I came across your site, thank you for all the wonderful information.

I do not know if this is a strange question or not...but here it goes.

I've got people beating down my door to sell their items for them...unfortunately I have no contract I can give them. If you happen to know where I can go to mold a contract(web links?) or better yet...if you have a contract I can see, and then liberally utilizes...with obvious changes. Well that would be so helpful you could never imagine!

Please let me know your thoughts on this...any help would be greatly appreciated.

All the best,  
Name Removed

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From: Terry Gibbs  
To: Name Removed  
Sent: Sunday, October 05, 2003 3:53 PM  
Subject: Re: Contract for selling on Ebay

There is a consignment contract included in my eBay consignment book. I paid a lawyer \$300 to draw up the contract for me. You can get the book for \$29.97 and in addition to the contract – it is a word document so you can modify it to include your information, you will also receive an inventory form, and step by step instructions for finding and signing up consignors.

You can get the book on the [www.iwantcollectibles.com](http://www.iwantcollectibles.com) website.  
Terry

\*\*\*\*\*

From: Name Removed  
To: Terry Gibbs  
Sent: Sunday, October 05, 2003 4:57 PM  
Subject: Re: Contract for selling on Ebay

Thanks but no thanks.

I did not realize you were selling something...to be perfectly honest with you. I merely thought you could provide some "free" assistance. I've been selling on Ebay for the past three years, I definitely do not need advice on how's or why's of selling...or selling on consignment.

I just need a template for a contract...plain and simple.

Everybody is out to make a buck I guess!

Good luck.

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This gentleman could have easily purchased the 30 dollar ebook, taken the contract he was looking for, then requested a refund. I would have given him the refund, but he never even considered the option. He is too cheap to pay 30 dollars for my contract or pay a lawyer 300 dollars to have his own contract written, but does not even consider stealing my contract.

Most people will act like the person who sent me the emails above. Note – the guy above is not a good prospect. His “know-it-all” attitude will probably prevent him from purchasing materials from me in the future, so he is just a time wasting freebee seeker.

Now back to the reasons for not offering returns.

Another reason marketers do not use guarantees is because they fear their materials are not good enough. Offering a strong refund can be very intimidating to a new marketer.

When you offer a return privilege you are taking the risk off the buyer. When I first started, and I think this is true for many marketers, I was afraid of the risk because I was unsure of my products.

I had no background writing and selling information products, so I was unsure of the value. After I had sold my books for a while with few returns, my confidence increased. As my confidence grew, my guarantee statement became stronger and stronger.

The fastest way to overcome the fear of a high refund rate is to offer a guarantee and experience the returns. Unless your product is crap or your sales letter exaggerates the benefits, your returns will be quite low. Later in this book you will learn how to measure your refund rate and ways to lower your refunds.

A lot of marketers think their niche is different. They think their clients will take advantage of liberal return policies, and they would lose money. If you think you are involved in a niche full of thieves, you should ask yourself what you are doing catering to thieves.

The highest return rate for any type of product is women's clothing. The reason for the high return rate is not women buying clothes with the intention of returning them, but rather the way women shop. There are women who buy clothes knowing they will return the clothes after wearing them once, but most women return clothes because they optimistically buy smaller sizes, or – and this is the biggest reason – because they shop and buy clothes as entertainment.

I bring up the women's clothing example for a reason. There are hundreds of stores selling women's clothing. The larger, more profitable, women's apparel stores like Nordstrom will even take back clothes that are worn and damaged. They require only that the clothes could have been purchased at Nordstrom. No receipt - no questions – just a quick and cheerful refund.

Nordstrom does not offer this very liberal return policy because they are stupid. It is a business decision. They will take anything back because they know they make more money by keeping their customers happy.

There is a commonly told story about a woman returning a set of snow tires to Nordstrom's and getting a refund. Nordstrom does not sell snow tires. But according to the story the sales manager "refunded" her money. This is actually an urban myth. But, while it probably didn't happen, Nordstrom's gets a lot of customer goodwill due to the story.

I am sure that with very few exceptions, offering a refund policy will increase your net profits. That is the most important thing -- the bottom line -- additional profits.

## Types Of Guarantees

There are basically two types of guarantees -- A conditional guarantee and an unconditional guarantee. There are a few variations of each, but all guarantees fall into these basic categories. You can do different combinations of guarantees in order to come up with the strongest guarantee.

An unconditional guarantee is a simple guarantee that says something like

**“If you are not satisfied send this product back within X number of days and we will refund your money in full.”**

The guarantee asks for nothing except the return of the merchandise within the time period. For digitally downloaded products the request for a refund must come within a time period.

A stronger version of the unconditional guarantee has no time limit. Another variation commonly seen on food products is a satisfaction guarantee. Here is an example from a bag of potato chips:

**“Guaranteed Fresh Until Printed Date Or This Snack’s On Us.”**

The guarantee then gives a toll free telephone number, times to call and says to provide the numbers printed below the price.

A phone call will get you a check in the mail for the price of the chips. You do not need to return the chips to the store where you purchased them, or even prove you bought them.

These are called unconditional guarantees because there are no conditions. Getting a refund is easy and simple. The buyer does almost nothing in order to get a refund.

The unconditional guarantee is the most powerful guarantee. We will discuss some factors that may influence the length of your guarantee in the next chapter.

One the other hand, a conditional guarantee places restrictions on the ability to return products. This can be a simple statement like:

**“If you decide you do not want this item simply return it unused in its original packaging for a complete refund anytime within 30 days of purchase.”**

Another type of conditional guarantee requires the buyer to do something to get a refund. These are most often seen in business opportunity packages. An example of a conditional guarantee would be one for a package on how to make money running classified ads, where the guarantee statement says:

**“If this does not work for you send the materials back along with photocopies of three ads that you ran using our system and we will refund the purchase price.”**

The conditional guarantee in this case is requiring the buyer to actually use the materials in order to get a refund. This is done in order to cut down on the number of people that buy the package, then return without using it.

A third variation of the conditional satisfaction guarantee introduces a restocking fee. Here is an example:

**“If you are unhappy with your purchase you may return it within 30 days for a refund less a 15% restocking fee.”**

Restocking fees are a fast way to alienate clients. Especially if you are selling information products like books and digital downloads. Charging a restocking fee on an information product defeats the whole purpose of a guarantee.

Remember, a guarantee is used to remove the buyer's risk. A restocking fee tells the buyer upfront he will be out a percentage of the purchase price. You might be limiting the buyer's risk, but you are not removing it entirely. Rather than charging a restocking fee, consider the cost of handling returns a normal cost of business.

Using conditional guarantees can damage your sales. Read this example of a conditional guarantee:

**“If you are not happy with these materials feel free to refund them in any time within the next year, however because it will take you 60 days to get the benefits from using these materials, no refunds will be processed until 60 days have elapsed from the purchase date.”**

This is a real guarantee I found in an advertisement for a how to make money at home course. Go back and read it again. This guarantee forces the buyer to either do something with the package, or wait until 60 days have elapsed to get a refund.

This is a very unusual guarantee. Think of what this says to the prospect. It tells the prospect not to buy the package unless they are serious about using it. It also telegraphs to the prospect they may have problems getting a refund.

This seller is probably either afraid of returns or being overrun by returns. The Biz-Op market has unusually high return rates because Biz-Op seekers tend to buy packages in order to find out what they are about.

As a side note -- I asked my banker about this type of guarantee, and was told the bank would do a chargeback within the sixty day period if the seller refused a refund during that time. More on chargebacks later.

There is a special sub set of guarantees -- continuity programs. A continuity program is a subscription where the buyer agrees to be charged periodically as new materials are sent to them. With a continuity program there can be an unconditional guarantee saying you can return any item and get your money back for the single item and you still will get the other items or a cancel anytime guarantee saying you can cancel your subscription at any time.

Most continuity programs offer a combination of returning single items or canceling the subscription. Some offer only the cancellation option as a way to keep people in the program.

## How Long Should A Guarantee Be?

A guarantee should be as long as possible because longer guarantees usually have lower refund rates. Longer guarantees have lower refund rates because they change the buyers focus when they get the product from “Is this worth it?” to “I’ll give this a chance.”

Think about this, if you offer someone a seven day guarantee for a workbook teaching him how to do something, when he first gets the book, in the back of his mind the buyer is thinking, “Is this something I am going to keep?” The entire time he is examining the workbook, he is looking for reasons to keep or return the book.

When buyers are forced to decide if a product is suitable for their needs in a short period of time, they do not have enough time to make a rational decision and will return the product rather than being stuck with it.

Would you want someone to sit down with your product and create a list of reasons to keep or return it? With a short guarantee period this is what you force your buyers to do.

With a longer return period the buyer can relax and spend time looking for the value. The longer guarantee allows the buyer to use the item, spend more time getting to know it, and get a sense of ownership for it.

Another reason longer guarantees also usually have lower refund rates is because the longer period allows people to forget they purchased it. Out of sight - out of mind. Your objective should not be to let someone forget your product, but it happens so you might as well collect the additional revenue.

Some merchant accounts and credit card processors limit the guarantee length. This is done to protect the bank from the risk that you will go out of business leaving them exposed to people wanting refunds. For new credit card accounts, they will usually prevent you from offering a return period longer than 60 or 90 days. After your account has been active for a while, usually 6 months - sometimes as much as a year, the credit card processor will reassess the risk and may allow you to increase your return period.

Clickbank, the online digital products processor, allows only a stated 56 day warranty. Clickbank will refund a buyer’s money after 56 days, but the Clickbank user agreement says you cannot offer a refund period longer 56 days.

Many merchant account agreements state that you will not offer a refund longer than 90 days. If you are caught offering a refund period longer than 90 days, they will cancel your merchant account and add your name to a database to prevent you from getting a merchant account in the future.

You do not want to play games here. If you are blacklisted, you will be forced to rely on a third party processor which is more expensive and always enforces short guarantee periods.

When I got my first merchant account, 90 days was the limit I could offer a return period. After 6 months, I asked for a reassessment of the return period. My maximum refund period was increased to a year.

To summarize this longer guarantees are almost always better than shorter guarantees. Unconditional long guarantees are the strongest guarantees you can offer.

It is important to remember –

**“When Everything Else Is Equal The Person With The Strongest Guarantee Wins.”**

If you do not offer a guarantee while your competition does, the competition will get the sales. Using some kind of guarantee is really essential.

When you are starting out and need sales to fund your efforts being concerned about getting refunds is a realistic thing. Using a guarantee will cause more people to buy your product than not having one will. This will more than compensate for the people that are going to request a refund anyway.

## **A Word About Chargebacks**

Face it, if someone is really unhappy with what you send them, they are going request a refund and if you refuse, they will find a way to get it. When you really think about it, if you are accepting credit cards and you are not offering a guarantee, the only thing a buyer has to do is request a chargeback.

A refund and a chargeback are very different. Many beginning marketers confuse the two and think refunds look bad.

A chargeback is when a buyer calls his bank or credit card company and asks for a charge to be reversed. The buyer may lie to get the credit, but in most cases this is not even necessary. Most banks have very liberal chargeback policies. One phone call to most banks is enough to initiate a chargeback.

Even if the unhappy buyer does not request a chargeback, they can create other problems for you by badmouthing you on discussion boards. So it is just better to offer a guarantee. It is better from a positioning standpoint and it is better from a hassles and headaches standpoint.

The bank will charge you a chargeback fee for reversing the charge. This is normally 15 to 30 dollars per chargeback. If you get too many chargebacks your merchant account will be closed and you will be blacklisted.

A return is not a chargeback. When you go into your merchant account and trigger a return or a refund, it will cost you nothing. All the processing fees and percentage fees that were charged by the merchant account provider are refunded to your account also.

Note: Some merchant accounts and third party processors – notably PayPal will only reverse charges associated with refunded transactions if they are processed within a defined time period. For example, PayPal will only reverse fees incurred on a transaction if it is refunded within 30 days of the original transaction. Check with your merchant provider for more information about fee reversal time periods.

Chargebacks are a headache and a hassle for you. The best way to avoid chargebacks is to offer a stated return policy and keep your buyers happy.

Chargebacks are also an important consideration when your risk profile is determined. Your risk profile is how the merchant account provider determines your rates. If you have a very low chargeback rate, you may be able to negotiate lower rates with your merchant account provider.

## Tracking Return Rates

Before you can get an accurate idea of your return rates, you must have sales. A fifty percent return rate with only 2 sales, which means one buyer sent it back, is not reliable information. If you get 50 returns out of 100 sales, you have more reliable information. You need at least 100 sales in order to adequately assess your return rate. The return rate figured with 500 sales will give even better results.

If you have less than 100 or 500 sales you should still track your refund rates. Just remember the information will not be as reliable. While it is not as reliable, the information will help you make educated guesses about your marketing campaigns.

Many marketers consider tracking return rates as a very simple equation. They go no farther than dividing number of returns by the number of sales. This simple equation gives you a percentage of sales returned.

Here is the equation:

$$\frac{\text{Number Of Returns}}{\text{Total Sales}} \times 100 = \text{Refund Percentage}$$

So, for example, if you sell 200 products and get 4 back, you divide 200 into 4 then multiply by 100, and get 2 percent for your return rate. This can be a good indicator, but it is not enough information to really evaluate your returns

Some other things you must track are:

- What sales path they came through -- different paths result in different return rates.
- The specific lead generation method i.e. the magazine or website that ultimately generated the sale.
- Payment method i.e. check, credit card, paypal or cash.
- Purchase method i.e. Fax, mail, phone, internet.
- Days held. How many days from when someone purchased the product to when they requested the return.
- Which letter generated the sale when doing sequential mailings.

Knowing the sales path is important because different paths will result in different refund rates. For example, I sell my eBay Success Video with classified ads and on the web. The sales that come from my print ads result in about 15

percent return rate, while the sales that come in through the web result in about a 2 percent return rate.

Overall, I get a 12 percent return rate for the video. If I were to lump all my sales and returns together, I might misdirect my marketing dollars. This is the biggest mistake marketers make when judging their sales.

Knowing where the sale originally came from allows you to improve your marketing, and better utilize your marketing dollar. To continue the example of my eBay video, knowing the majority of my refunds come from my print ads, I can test things to lower the refund rate on the print ads, maybe buying bigger ads or different language within the ads, or concentrate my money on the online marketing.

When I did tracking for small direct marketing companies, I frequently found ads that were losing money because the refunds were higher for some publications. By only counting the sales from each ad, and not also tracking the refunds back to the specific ads, they were wasting money advertising in unprofitable publications.

Here is a great example of how this can benefit you. A few months back my returns doubled while my sales from the same magazines decreased. Because I track my returns back to each ad, I was able to isolate the problem and correct it.

The publications had moved my classified ads from the Instructional Video category to a new category called Business Opportunities. This small change of only two words in the category name above my ad, dropped my sales significantly, while doubling the number of returns.

As you can see, you really must know where your sales and returns come from. Tracking and watching all your numbers allows you to immediately spot any abnormalities and take corrective action.

Another thing that you need to track is the payment method. Each payment method will have different return rates. Knowing the refund rates for each payment option allows you to emphasize more profitable options.

Based on my eBay Success Video sales, people who send cash in the mail almost never ask for refunds. While people who mail checks ask for refunds more often than people who send in credit card numbers. For my online sales, the people who pay with Paypal are less likely to ask for a refund than people who pay with a credit card.

Your numbers might be different, but knowing them will help you make educated decisions about your marketing. Based on my results I emphasize the credit card option in my print ads and PayPal on the web. You should offer as many payment options as possible, then prioritize the options to lower refunds.

You also need to track the days held. Knowing how many days someone had your product before returning it, can help you find ways to lower your return rates. The days held is simply the number of days between when the product was delivered (or ordered) and when it was sent back. You can check the postmark or for digital products use the day they requested a refund.

The number of days someone holds your product before requesting a refund will give you valuable information about product quality, your packaging, and perceived value.

I get people who request a refund within minutes after buying an eBook. At first glance it may seem these are thieves, but they could be skimmers who didn't read the entire sales letter. Basically something in the sales letter caught their interest, they saw the guarantee and then purchased because there is no risk.

Including a table of contents on the webpage may lower purchases from these skimmers, because it would give them a preview of the book, but I have not tested using a table of contents on any of my pages yet.

These skimmers are doing what I want them to do. Buy the book. I am sure some of them keep the book.

Another reason you should track the days held is so you can offer timed bonuses. We will cover timed bonuses in the section on lowering return rates.

The last thing you need to track is the actual letter or email responsible for the sale. This applies to sequential mailings. If you are two step marketing you track from the lead generating advertisement through each sales piece. Each series is called a campaign.

For example, you collect email addresses from your web visitors in exchange for an email course about your topic. When you send out emails in order to sell your product, you need to know which email generated the sale.

You should also look at the campaign as a group, but knowing individual numbers is important. Maybe the later letters in the sequence are resulting in higher sales and lower returns. You might want test the third sales letter in the

first position. With direct mail your early letters should have higher sales, and usually lower returns.

Email and direct mail are a bit different here. With mailed sales letters, the later letters in the sequence will result in lower sales, until it is no longer profitable to mail letters. With email there is no cost to send additional emails. This means later emails can still be profitable because there is no postage cost. Also some email series are designed backwards.

Because of this difference, you might get better results with your most powerful pieces in later positions. (I know this sounds weird, but capturing the attention of someone standing over a wastebasket sorting mail is easier than preventing someone from deleting an email. With email marketing, you need to build trust and credibility by delivering solid information before you can ask for the sale.)

This does not mean you should not sell in early emails. What it means is you must provide solid content in the earliest emails. Put solid content in your early emails and build credibility with your reader. Then ask for the sale.

See my book *Autoresponder Profits* for more information about writing email campaigns.

## **What Is An Acceptable Return Rate?**

Returns are very emotional. Some marketers believe any return is bad because a return is an indication of poor quality. These people might also be thin skinned and consider a return a personal failure.

On the other extreme, there are marketers who think it is possible to have too low a return rate. They think few indicates you are not selling hard enough. Low returns might mean you are not promoting enough, or you are not adequately describing the benefits in the sales letter.

Conversely, a high return rate probably indicates that either your product is not up to par or you are over hyping in your sales letter. Deciding whether a specific return rate is too high or too low can be difficult. Here are some considerations for deciding what an acceptable return rate is for your products.

Refunds are very indicative of the marketer's personality. Lets go through a series of questions to help you determine your refund personality. Assume all these questions relate to a single product, and the only changes you are making is the wording of the advertisement.

Remember, when you test your sales copy, you should only change one thing at a time. This allows you to know exactly what is responsible for the different results.

Here we go. A quick test for your refund personality is to answer these questions – assume the sales and returns are the result of the same cost advertisement with different copy:

### **Is a ten percent return rate better than a five percent rate of return?**

I bet you answered five percent is better. If you said there is not enough information to make a decision, you are on the right track. Just looking at the return rate does not give you enough information.

Now think about this question:

### **Is an ad generating 50 sales and no returns better than an ad generating 100 sales and 5 returns?**

Chances are you said the ad with the returns is better. 95 sales is better than 50 sales.

Here is the last question:

**Are 15 returns out of 150 sales (10 percent) better than 5 returns from 100 sales (5 percent)?**

Many marketers who take this test initially say a 5 percent return rate is better than a 10 percent return rate. This not always true. If you use stronger selling language to increase sales from 100 to 150 units, (A 50% increase in sales) even while your returns double, you end up with 40 additional sales.

Just looking at the number of sales 135 ( $150-15=135$ ) is much better than 95 ( $100-5=95$ ) sales. If these numbers were for the same product with a different ad you would surely want to sell 135 units for the same marketing cost.

This increase in sales and returns could be the result of listing more benefits, offering a stronger guarantee, or other changes to your ad. Remember, you must compare entire sales paths and only change one item at a time when testing.

Many marketers are uncomfortable looking at refunds with a strictly monetary view. They feel high refund rates are a problem. They see refunds as an embarrassment or a personal attack. These marketers feel refunds are to be avoided. This is an emotional decision rather than a monetary decision.

I have heard marketers complain about a five percent return rate. Usually the complainers are focusing on the returns, not the extra sales. The idea is to maximize profits, not minimize returns.

I know quite a few marketers who have acceptable return rates in the range of 20 to 30 percent. Before we go on with what is an acceptable return rate we need to discuss some additional factors.

## **Additional Factors In Determining Acceptable Return Rates**

Some businesses should have lower return rates than others. For example, a service business or a business using face to face selling should have a lower return rate than a direct response marketer.

The reason these business have lower return rates is when people buy something face to face, the buyer gets a better match. When you walk into a store and handle the product while the salesman answers your questions and explains the benefits, you know your purchase is the right item for you

Service businesses like Plumbers, Electricians, Carpet Cleaners, etc. . . should have very low complaint rates because a request for a refund means there is an unhappy client.

Refunds with service businesses are usually a result of problems with service. So any service business with high refunds or high dissatisfaction rates really needs to improve the level of service.

Another thing to take into account when assessing your acceptable return rate is the lifetime value of a client.

The lifetime value of a client is an estimate of the additional back end sales you can generate as a result of making the first sale. For example, I sell a number of products relating to ebay and antiques. When someone buys one of my products, I want them to buy additional products.

Earlier I mentioned one of my books has a 30 percent refund rate. I have no additional products to sell buyers, and never will. While I could surely lower the refund rate, the book is not something that will ever be fantastically profitable. I have decided to accept the returns and concentrate on other projects.

However, if I had additional materials to offer buyers, or wanted to become more active in that niche, I would spend the time testing and tweaking the book and sales letter. If you are selling one product and have no back end, a higher return rate is acceptable if it generates higher profits.

Two other things that affect return rates is the type of product and niche. Earlier I mentioned return rates are high in the business opportunities niche. Internet marketing is actually a subset of the biz-op niche. There are other niches with higher normal rates of return.

The type of product also influences return rates. It is very easy and impersonal to send an email asking for a refund on an ebook. To return a printed book requires packaging and a trip to the post office.

Price also influences return rates. Higher priced products usually have higher return rates. This is true for two reasons.

1. Lower priced items are not worth the hassle to return.
2. Higher priced items are more difficult to justify.

The hassle factor only applies to physical items. A great example of this is house plants. All the big stores like Home Depot guarantee their plants for a month. I am not very good with plants, so many die in the first month.

In order to return the dead plant for a refund, I would have to yank it out of the decorative pot, put it back in the plastic pot it came in, find the receipt, then go stand in line at Home Depot for an hour. For three dollars it is not worth the hassle.

With ebooks, it is very easy to ask for a refund, so the price does not have a big effect.

Now that we have discussed some factors effecting refund rates back to the question of what is an acceptable return rate.

Your acceptable return rate is the rate at which you make the most profit when you have factored in the lifetime value of your clients.

The idea is to **Maximize Profits Rather Than Minimize Returns**. Always remember this when you are assessing your return rates.

## Writing Strong Guarantees

Writing a strong guarantee statement is very important. The words you use to explain your guarantee must be simple and easy to understand. Before we get into writing a powerful guarantee, let's look at some bad guarantee statements.

Here are a few examples of bad guarantees:

- 100 percent satisfaction, guaranteed.
- We guarantee our services.
- If this product is not everything we claim, we will refund your money.
- If you are unable to make money with our classified ad profits system, we will refund your money. Just send us copies of at least fifteen ads you ran along with paid invoices for the ads, and we will refund your purchase price.

A weak guarantee is a bland or general statement like:

**“100 Percent Satisfaction, Guaranteed.”**

Or,

**“We Guarantee Our Services.”**

Weak guarantee statements contain very little detail. They do not explain how to get a refund, or any conditions required.

Weak guarantees leave too much wiggle room. Remember the purpose of a guarantee is to remove the buyer's risk. By adding additional detail to your guarantee statement, you will increase your believability.

Deceptive guarantees are another way marketers ruin their credibility. Check out this next guarantee:

**“If this product is not everything we claim, we will refund your money”**

On the surface this sounds like a great guarantee. This is actually a weak guarantee because there is too much wiggle room. Depending on the way the seller reacts when a buyer asks for a refund, this can be an example of a deceptive guarantee.

Using this type of guarantee can be worse than having no guarantee at all. It mainly depends on how you act after someone asks for a refund. The person with the guarantee above was selling an ebook, and told unhappy buyers the

book did contain everything claimed in the sales letter then refused to return the buyer's money.

Using this type of deceptive statement and then blowing off unhappy buyers ruined the seller's credibility. Buyers ended up posting copies of the emails refusing refunds on discussion boards and the seller's reputation was ruined. We will talk more about how to properly handle refund requests in a later chapter.

Another unacceptable guarantee presents so much information in a legalistic format that the purchaser would be overwhelmed with hurdles. Earlier we defined this as a conditional guarantee. The conditional guarantee example for the classified ad package is an example.

Here it is again so you do not have to scroll back to look for it:

**“If this does not work for you send the materials back along with photocopies of three ads that you ran using our system and we will refund the purchase price.”**

This is a very unacceptable guarantee because it makes the buyer jump through too many hurdles. It does not transfer the risk to the seller, but adds additional risk to the buyer. This is especially damaging when used online.

Remember guarantees are used to transfer the risk from the buyer to the seller. A well written guarantee lets the buyer know he has no risk of losing money. The guarantee increases the prospect's confidence in the product and increases sales.

### **The Path From Weak To Strong Guarantee**

Weak guarantees usually do not provide enough detail. They do not explain how the guarantee is exercised, or how to get a refund.

On the other hand, a strong guarantee explains how to get a refund in clear language. The strongest guarantees completely transfer the risk from the buyer to the seller.

When you first start using guarantees it can be scary to offer completely a risk free guarantee. You might be afraid you will lose money because people will take advantage of you. By reading this book you will gain more confidence in your products and become willing to test stronger guarantees.

Like you, when I started I was afraid of strongly worded guarantees. I knew intellectually using a guarantee was important, but having no experience selling my own products, I was unsure about the results. I started out with a weak guarantee and gradually made it stronger as I gained confidence.

Here is an example from one of my products. I started out with this simple guarantee:

**“If you are unhappy with this book for any reason at all, send it back within 90 days, and I will refund the purchase price.”**

This statement is really clear. The buyer understands the only thing needed to get a refund is send the book back. The language implies the buyer will be out shipping and handling if he returns the book.

Later, I made the guarantee stronger with this language:

**“If you are unhappy with this book for any reason at all, send it back within 90 days, and I will refund your money including shipping costs both ways. You risk nothing but the time it takes you to order the book.”**

This guarantee offering to refund the shipping costs both ways cut my returns in half and almost doubled my sales. I know the confidence implied by the guarantee was responsible for the increase in sales. I have no idea why the refunds went down.

A short note about this product. This was my O Gauge Source Book. The book is a listing of toy trains manufacturers divided in categories so buyers could easily find items for their train layouts. I ran full page, all text ads for the book in train club periodicals. When I was testing the guarantees, I made no other changes to the ad.

An interesting side note for you book publishers. My book sold for \$29.97 plus 4.00 shipping. Shortly after I started running the full page ads, someone else started running classified ads for a seven dollar (postpaid) source book.

My book sold for almost five times the price of his which allowed me to run more expensive full page ads. With the long copy ads, I was able to demonstrate more benefits, and build emotional impact in my ads. The other guy's classified ads may have been responsible for a portion of my increase in sales. He did not offer a guarantee.

**“The Person With The Strongest Guarantee Will Get The Sales.”**

Based on what the other source book writer told one of my friends, my sales were six times higher than his. Every time he ran a 30 dollar ad, he sold 70 dollars worth of books. When I ran a \$325 ad, I got 1900 dollars in sales. After deducting the cost of printing, postage, and returns, I made \$1200 every time I ran the ad. At best my competitor broke even.

This an important lesson. You need to price your products high enough to make money on them. By offering a guarantee you sell more, and you will get feedback from buyers. We will talk more about buyer feedback in a later chapter.

Now back to creating a stronger guarantee statement. After I had been selling the book with the postage refund, I realized I was loosing money. I was getting higher sales, and lower returns, but I was wasting money.

I was wasting money because the books cost me less to print than to mail. I was making unhappy buyers send the books back and refunding the postage. I was refunding \$3.85 for return postage, while the books only cost \$1.92 to print.

When I realized this I changed the guarantee to:

**“If you are unhappy with this book, tear the front cover off and throw the rest of the book out. Then mail just the cover back with your name and address. When I get the cover, I will refund your money, including shipping and handling and the cost of the stamp you use to mail the cover back. You risk nothing, but the time it takes you to order the book.”**

This super strong guarantee raised my sales by about ten percent, and dropped my returns to almost zero. I do not know why the returns dropped. I was expecting the sales to increase while the return rate remained constant.

A big reason could be confidence. Think about it. This book must be fantastic to be guaranteed like that. Nobody would sell crap with a guarantee like that!

Notice I also removed the time period. When I made this last change, I had been selling the book for 16 months and knew people would refund within 20 days or keep the book.

There are cases where not stating a time period increases returns. The increase is because people do not know how long they have to examine the product, so they act as if the return period is short. You should test including a time limit in your guarantee.

I did have one complaint about the guarantee. A man wrote me to say he liked the book, but it was wrong for me to promote waste by telling people to throw out the book!

I actually added the note to my sales letter as a testimonial. The testimonial allowed me to reinforce the guarantee in another section of the sales letter. Here's what I used:

**“Terry - I like your book. It's a great way to find interesting things for my train layout. However, I do not like your guarantee because it promotes ecological waste. You should tell people to put the book in the recycle bin instead of throwing it out when they return the cover for a refund. John Blankenship - New Jersey.”**

I did not change the guarantee because telling people to throw out the book is more emotional. It has a stronger impact.

An even stronger guarantee tells the buyer he can keep the product and his money will still be returned. See the potato chip example above.

If you are using bonuses, you may want to tell the buyer he can keep the bonuses if he returns the product. An example of this is:

**“If you unhappy with this product you can return it within 90 days for a full refund and keep the bonuses.”**

Many direct marketers include self addressed envelopes or postage paid labels with their products. This is an even stronger guarantee.

**“If you are not happy with this product, paste the prepaid return label on the box and give it to your mailman and we will refund your money in full. We pay the return postage.”**

This means that all the buyer has to do is put the item back into the box it came in, slap the label on it, then drop it in any mail box. This totally removes any risk from the buyer while greatly increasing the credibility of the seller.

That covers the path from a weak to a strong guarantee. The strongest guarantees make it easy for a buyer to request and receive a refund. The stronger guarantees allow the buyer to refund without any work other than a simple notification or return of the product.

## Handling Refund Requests

Refunds are a cost of business just like postage, marketing, and other expenses. When a buyer requests a refund, it should be granted quickly and emotionlessly. Before you start offering guarantees you should develop a system for handling returns.

Your system will have at least these three steps:

1. Update the purchase as a return in your database for tracking purposes.
2. Check how the buyer paid and issue a credit or write a check depending on how the buyer paid.
3. Send the buyer the check or credit slip along with a form letter thanking him for trying your product out.

Updating the database is important for two reasons. One - you need the data so you can track your return rates, and, two - you need to stop additional shipments or access. We discussed tracking in an earlier chapter.

If you send out additional materials after the sale or provide consulting access, updating your database should include cutting off additional shipments and access.

It is important to refund the buyer's money in the same manner because if you send a check to someone who paid with a credit card, she can still get the charge reversed by her bank. If she paid with a money order you can send the refund with a business check. There is no need to send her a money order.

The last thing to do is to notify the buyer the refund has been processed. Communication is vitally important. Do not just reverse the charges on a credit card purchase, always send the buyer a letter with the credit slip.

This may be your last chance to WOW! your client. You have to show the buyer you are a professional and are grateful for his business. If you are selling online you can do this by email.

Some marketers try to regain the sale rather than process the refund. This can be very damaging. If the unhappy buyer has called to ask for a refund you might be able to save the sale by talking with the buyer, but I have found most buyers will just ask for a refund again in the future.

When a buyer requests a refund, he wants a refund. He does not want someone calling him on the phone in order to harangue him about the quality of the materials. He does not want additional offers or surveys to fill out. He wants his money back.

When you offer a guarantee then quickly and pleasantly provide a refund, it strengthens your reputation. Your reputation is your most valuable asset. This is especially true today with the large number of topical discussion boards.

Imagine a prospective buyer posting a question on a internet discussion board asking for advice about you and your products. What kind of responses would you like the prospect to receive? You cannot write the replies, but by pleasantly and quickly handling return requests you can prevent people from complaining about you not honoring refund requests.

It is much better to have an unhappy buyer tell other prospects, "I purchased his materials and returned them for a refund which was quickly granted." Than to have someone post messages saying, "The book was crap and he refused to refund my money." Or, "The book was crap and it was a hassle to get a refund."

Remember, the reason you offer a refund is to remove the risk from the buyer. By quickly processing refund requests you lower the chances buyers will get upset about your materials. While the buyer may be unhappy about your materials, he will have no complaints about you.

A resentful buyer is dangerous. Leave someone unhappy and resentful about the way you treated him and he will tell everyone about your behavior. The best way to prevent unhappy buyers from damaging your reputation is to quickly and politely return their money.

If it is difficult for you to process returns politely, have someone else do it. Have an employee or your spouse deal with the returns. Make sure you select someone who is capable of seeing the returns only as a cost of business. You will need to monitor the employee to make sure the refunds are being processed correctly.

I have seen employees arbitrarily deal with refunds. There can be no variation here. Make sure your employee understands that anyone who asks for a refund and returns the materials gets a refund within 24 hours.

## **A Few Return Horror Stories.**

I want to share a few return horror stories here. These are good examples of what not to do.

Years ago when I worked for a direct marketer, I handled all of his refunds and all the tracking. One day I got a set of audio tapes back with a request for a refund. Included in the package was buyer's credit card statement with the original charge circled on it. While I was looking at the statement I saw the statement was filled with credits. So this person had a history of buying items and then sending them back for refunds. Looking at his credit card statement it seemed like everything he purchased was returned.

After I processed the refund I called the buyer on the phone to tell him I had processed the refund and he should be seeing the credit on his credit card. I ended up talking to him on the phone for a while. It turns out he was a lawyer in Florida who made a really good living by buying things with his credit card, sending them back and then suing sellers who did not honor the guarantees. This is how the lawyer made his living.

I think this man's behavior is terrible because he costs companies money, but he thought he was protecting people from disreputable sellers. I am not a lawyer, and cannot give legal advice, but based on what this lawyer told me, the laws in Florida allow him to collect a substantial damage award when he sues a company for not honoring a refund.

Here's another horror story. Actually it is not a horror story, but it could have been one if I had not handled it correctly.

This just happened to me again while I was working on this book. I sold one of my videos and the buyer called the publication I had advertised in to complain about the video. This can be very damaging. Especially if you do not have a relationship with the publications you advertise in.

I had been advertising in that paper for years, so they are not going to cancel my ads due to one paranoid buyer's complaint. But failure to quickly and pleasantly deal with refunds can result in publications refusing your ads.

In this case, I refunded the buyers money and sent copies to the publication so they could see I was honoring my guarantee. This reinforces the importance of protecting your reputation by quickly and pleasantly honoring refund requests.

One more horror story, and then we will move onto to ways to lower return rates.

In the winter of 2003, there was a person selling an ebook that was widely promoted on the Internet. The seller used a guarantee statement that said,

**“If my book is not everything I claim, I will refund your money in full.”**

Whenever someone requested a refund, the seller sent them a prewritten email back saying,

**“Why are you asking for a refund? The book is everything I claimed it to be. The sales letter says you will learn how to do \_\_\_\_\_, which is on page 27. The sales letter said you will learn how to do \_\_\_\_\_, which is on page 31. The sales letter said I will show you \_\_\_\_\_, which is on page 60. As you can see, I have shown you how to do everything that I promised to do. I have delivered on my promises to you and you have no reason to ask for a refund.”**

Imagine getting an email like the one above when you requested a refund. Upset buyers quickly started posting these emails on discussion boards. Within days all discussion about the book shifted. If a question was posted about the quality of the book, unhappy buyers responded with the email above. This individual completely ruined his credibility.

People love to talk about bad things. There is a word of mouth rule that states “If you do something good for somebody he might tell three or four people about it, but if you screw somebody, or even if someone feels like he was screwed, he will tell 20 to 30 people.

So when you are dealing with refunds you need to look at a refund request as a cost of doing business and quickly and pleasantly return the buyer’s money.

## Lowering Return Rates

There are a quite a few ways to lower return rates. Remember your return rate is not as important as your profit. While testing and tweaking your product and sales materials in order to lower your return, pay close attention to your profits.

The first place to start is your sales letter and audience or list. It is possible you are selling to the wrong audience. For example, when you sell material designed for experienced users to beginners it will be over their heads. Or, your material may be too simple for your buyers. Adding some language to your sales letter telling the prospect exactly what level your book is written for will lower returns. (This will also lower sales, but your buyers will be more likely to purchase additional items.)

Also you may be overselling your product by offering benefits the buyers cannot easily get. If you are selling a product that has a high return rate you might be able to lower your return rate by modifying your sales letter so that it does not oversell.

Basically make sure your sales letter and audience match the benefits of your product. If they do not match, modify your sales letter to lower the buyer's expectation or change the product to match the sales letter. We will talk about the changing the product after discussing the packaging.

The second thing you modify to lower return rates is the packaging. When the item is received it needs to match the buyer's expectations.

If you are selling a video you shot in your garage and edited on your computer, a professionally done four color box will increase your returns. A simple one color label in a blank box might lower your returns because the fancy four color box sets the buyer up to expect Hollywood style production values. Remember what you are selling and make sure the packaging matches.

Another thing to consider with packaging is how the product is delivered. Faster delivery will result in lower returns because the buyer will still be in an emotional rather than logical mindset.

Remember, people purchase based on emotional reasons. Immediately after purchasing, the buyer starts to generate logical reasons for buying. If the buyer cannot find these logical reasons buyer's remorse will set in.

Stick letters are used to shift the buyer back to an emotional basis. You should always include a stick letter with your products.

A stick letter is a short thank you letter included with the product that reinforces the reasons the buyer purchased. The stick letter contains the major benefits and reinforces the buyer's decision.

Here is an example of a stick letter for a mailed product:

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Dear [FIRSTNAME]

Thank you for purchasing The Power of eBay interview. Your tape is included.

You've done a good thing. The entire purchase price of your tape will be donated to the Phoenix Children's Hospital. The money will be used to help provide medical care for sick and injured children. This money will help make a difference in many children's lives.

Thank you again for your support!

While listening to "The Power Of eBay," You will learn the answers to these questions:

- The REAL Power of eBay? (This will truly *SHOCK* you.)
- How to spot and avoid scammers who are out to take your money?
- How to WOW your buyers so they don't consider returning your product?
- eBay's effect on the collectibles market and how you can capitalize on it?
- Learn to spot FRAUDULENT AUCTIONS so you can avoid being ripped off.
- Avoid the biggest selling mistakes. Over 65% of eBay sellers make these mistakes and end up getting lower prices in their auctions.
- How to lower your risk when buying on eBay.
- You'll learn how to overcome the obstacles to selling. Perhaps you'd like to sell on eBay, but have been too overwhelmed to start selling. This tape will help you break through the barrier and start selling on eBay.
- The biggest mistake a buyer can make, and how it costs you money. Learn to avoid this simple mistake and you will get better deals when you buy on eBay.
- The hidden benefits of selling on eBay.

- The five words that will LOWER bids on your auctions. Use these five words in your auctions and you will be throwing away money.
- How to find items you want that other bidders will probably miss. A single mouse click will open up a whole world of items listed in the wrong categories or with poor titles. This is where the great deals on eBay are hiding.

Thanks again for helping us help raise money for a good cause. The children of Arizona also thank you.

*Terry*

PS Please tell a friend about our fundraiser. We need your help spreading the word. Every one of your friends who purchases a tape will result in an additional donation \$20 for the Phoenix Children's Hospital. Individually this might not sound like much, but when combined with the purchases of other people like you it amounts to enough money to make a difference.

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If you are selling a digitally downloaded product like an ebook, the time between the purchase and the first reading is small. Rather than a stick letter you can list the benefits in the introduction. See the front of this book for an example.

One note about ebooks. Many PDF books do not include navigation. I think this has an effect on returns, and is related to the stick letter. (I always use navigation so I have no firm evidence of this relationship.)

On the left side of this screen are a bunch of tabs. The top tab is labeled **Bookmarks**. When you click on the bookmarks tab, there is a list of benefits in a nice outline structure. This allows the reader to find the value quickly.

Think about how buyers examine printed books in book stores. Go to a bookstore and watch people examine books.

The process usually goes like this:

1. Look at the title on spine.
2. Quick glance at front cover.
3. Read the benefits on the back cover.
4. Skim the table of contents.
5. Skim selected chapters based on the table of contents.

When people buy ebooks online the process is different. You show the prospect lists of benefits in your sales letter before he purchases. If you fail to reinforce the benefits in your introduction and provide navigation for the book, your buyer will examine your book from a logical perspective rather than an emotional mindset.

Added note - Recently I have been seeing an correlation between the fonts used in my ebooks and return rates. I haven't tracked this long enough to get real information, but Courier New results in higher refunds than Arial. I think this difference is because Arial is easier to read on a computer screen.

One thing I have been testing with some good early results is telling the buyer to write his name on the front cover of the book in the stick letter. When someone writes on the book he assumes ownership of the materials in his mind. The buyer is less likely to return a book with his name written on the front cover.

While we are on the subject of packaging, it is a good time to discuss bonuses. Make sure your bonuses match your product. There are a lot of sites where you can find items to use as bonuses. Many marketers assume more is better and load bonuses onto their products.

Sometimes having too many bonuses – especially unrelated bonuses - will raise your returns, (or lower your sales) because bonuses that do not match the product telegraph a lack of value in the product.

Consider this book as an example. A bonus book on how to write a better headline matches the subject of this book. It would not compete with this book, but rather complements it. A book on how to play poker has nothing to do with the topic of using refunds to increase sales and profits. It does not match.

The quality and packaging of your bonuses should match the quality and packaging of your product. A four color professionally bound bonus book will make your photocopied report look like trash.

You should test the inclusion of bonuses with your product. We will explore more ways you can use bonuses to lower refund is a subsequent section.

The third place you look at to lower your return rates is the product itself. How easy it is to change your product depends on what it is. A book is easy to change. You can add chapters or explanations as needed to beef it up a bit. A video or audio tape is more difficult to change. This is why the sales letter and packaging come first.

Here are some things to consider changing in your book to lower return rates and increase profits:

1. The title and chapter names.
2. Navigation or table of contents.
3. Font sizes and layout.
4. Graphics.
5. The cover and binding.
6. Contents – you might want to remove a section of your book and package it as a bonus, or add an additional section.

The title is important because it tells the buyer what the book is about. A well written sales letter makes buyers want the book. Descriptive title and chapter names reinforce the reasons the buyer bought the book.

We talked about navigation earlier in the section on stick letters. For printed materials the table of contents serves the same purpose. The graphics, font sizes and layout, cover and binding all influence the buyers emotional state when he sees the book for the first time.

It is important to match the buyer's expectations while not giving him a reason for returning. Large fonts in digital products are OK – This ebook is set up with a 13 point Arial font. This makes the book easier to read on a computer screen.

If this book was delivered in a printed format, using a 13 point font would cause some readers to assume I had used a larger font in order to make the book thicker. This perception might increase returns.

The layout of your book must allow the reader to easily access the information. Small paragraphs, balanced margins, easily found headers make it easier to read the book.

Unneeded graphics will give the reader the same perception as a large font. The reader will see these as an indication you are trying to bulk up the book. This book has no graphics because they are not needed. Remember, you are selling information. Not entertainment.

The cover and binding also suggest the price of the book. As a writer and self publisher, you want your buyers to see only the value of your books. Not the price.

The price is the dollar amount paid. The value is the benefit of reading the book. To lower returns you must convince the buyer the value is higher than the price.

Books in bookstores with color covers are priced by a formula. This pricing formula does not factor in the value of the information, but only factors the cost of producing and marketing the book. Anyone with limited experience buying printed books in bookstores can easily estimate the price of a book because the books telegraph prices by their appearance.

A simple book with a tape binding does not telegraph a set price. The buyer has no frame of reference to decide what the book is worth. He must read the book to find the value.

## **More About Using Bonuses**

It is easy to cut a section out of a book and package it as a bonus. This will add value to your book in two ways. You will be able to emphasize the material in the bonus book more strongly in your sales letter, and it will set the bonus content apart from the regular content.

I did this successfully with my book “How To Write An Ebook Even If You Flunked English.” I took the entire second half of the book on selling ebooks and packaged it as a separate ebook called “How To Profitably Sell Ebooks.”

### **Timed Bonuses.**

You might be able to lower your return rate by sending a timed bonus. If you are sending a package of information and you find as a result of your tracking that most of your returns come in 14 to 20 days after the person receives the book. Send them a bonus that they will receive 14 days after getting the package. This bonus might cause them not to refund.

### **Offer A Bonus In Exchange For A Testimonial.**

This is a great way to lower return rates. Offer your readers a separate bonus in exchange for a testimonial. The bonus should not be something closely related to the product.

This is not extortion, it is a little extra something in exchange for a testimonial. If your buyer thinks you are holding back in order to get a testimonial, your returns will go up.

This lowers returns for two reasons.

1. It forces buyers to examine the benefits.
2. Buyers who provide you with a testimonial are less likely to ask for a return.

When a buyer writes a testimonial for you, he has to think about your product. While he is looking for something good to say about your product he is also convincing himself of the value.

Also, after sending in the testimonial and getting the bonus, his mindset has changed. A buyer is unlikely to request a refund because he has received a gift for telling you how great your product is.

One note about this technique, if you use these testimonials in your marketing, you need to disclose adjacent to the testimonial that these are “compensated testimonial.” For this reason, I don’t use these testimonials in my marketing.

Reading the testimonials will also provide you with feedback about your product and your sales letter. The testimonials might suggest areas needing improvement, or areas your buyers find important.

## Summary

Hopefully this book has changed the way you think about refunds. You no longer consider refunds an emotional subject, but rather see them from a logical monetary perspective.

A rational approach to offering a guarantee incorporates the data from testing and tracking return rates and the reactions within the niche. The true assessment of the value of your guarantee statement can only be done based on the numbers from your tracking and on increased or decreased profits.

The goal when examining return rates is to maximize profits while minimizing returns. This is done by tracking your return rates across the sales path while being aware of the lifetime value of a client.

In order to maximize your profits, you want to “see-saw” your sales and returns until you reach the highest profit levels. Concentrate on increasing your sales. When your sales as a percentage of site visitors go up, your return rates will also go up. After raising both your sales and return rates, lower your return rates by testing the strategies explained in this book.

The rest of this book is made up of guest articles written by other marketers. Many of these marketers have websites with valuable information and emailed newsletters. Visiting their sites and subscribing to their newsletters will help you hone your marketing skills.

Thank you for reading my book,

Terry Gibbs  
January 2005

## Bonus Articles

### Making Your Offer Make Sense

By Robert W. Bly

When creating a direct mail promotion, the closing copy, especially the offer, often gets short shrift. The marketer simply picks up the boilerplate from previous promotions, without thinking through whether the offer and its wording make sense.

And often, they don't. More and more we see offers that are confusing, deceptive, unfair, or illogical – if we look carefully.

A number of publishers, for instance, offer lifetime guarantees. They permit the subscriber to cancel at any time and receive a prorated refund on “unmailed issues.”

But if you offer both a bill-me option as well as payment with order, such a lifetime guarantee actually gives the customer an incentive *not* to pay up front – the opposite of what the marketer desires.

Say the customer checks the “bill-me” option for a monthly newsletter, gets his first issue, and then writes “cancel” on his invoice. The publisher doesn't send him a bill for one issue, nor does the publisher ask for the newsletter back. So the customer gets a free issue.

But if the customer pays in advance, then cancels after the first issue, he gets a refund for 11/12<sup>th</sup> of the subscription price (the 11 unmailed issues) and therefore ends up paying for the issue received.

Why should the bill-me customer get a free issue, but not the payment-with-order customer? It doesn't make sense, considering a cash-with-order customer is more desirable than a bill-me order.

How can you fix this problem? Offer a full money-back guarantee within the first 30 days, then a prorated refund thereafter. That way, everyone gets the first issue free if they decide not to become subscribers, whether they enclosed payment with order or chose the bill-me option.

The wording in lifetime guarantees is at times ambiguous, unclear, or even misleading on such offers. The old standard used to offer “a prorated refund on the unused portion of your subscription” or on “unmailed issues.”

No problem there. You knew that if you cancelled after 6 months and the newsletter cost \$100, you would get \$50 back.

Now many of these guarantees offer “a *full* refund on the unused portion of your subscription.” Are they offering 100% of your money back?

No. By “full,” they mean the full amount of the cost of the unmailed issues. Again, for a \$100 subscription cancelled after 6 months, that’s a \$50 refund.

If you really are giving back the subscriber all of her money, make it clear, e.g., “We’ll refund your entire subscription fee in full” or “We’ll refund every penny you paid.”

Another gray area is the offer of a free issue. Many subscription promotions with a 30-day money-back guarantee promote the first issue, sent within 30 days, as a “free issue.”

In reality, that issue is free only if you do not become a subscriber. If you do subscribe, then you are paying for that issue, i.e. for a monthly publication, that first issue is one of a total of 12 you will get as part of your one-year subscription.

So for those who pay and do not request a refund, there is no free issue. In that case, “free issue” is not wholly accurate. More correctly, we should say “risk-free issue” or “no-risk issue.”

To make it a true free issue, you’d have to give them the first issue plus, if they subscribe, 12 more issues – a total of 13 issues for the price of 12.

Very few newsletters do that, but if you have a how-to newsletter, you could, quite easily. Just create an evergreen “first issue” and include it in the welcome kit. Then begin their regular subscription with the next issue mailed.

Those of us who use premiums know the danger of offering a too-generous premium with a bill-me option: The subscriber responds, gets the premiums, cancels, pays nothing, and keeps all the great free gifts.

The solution is to phrase the bill-me option check-off box this way: “u Bill me (bonus gift sent upon receipt of payment).” The subscriber can still (if he

wishes) pay, get the bonus, cancel within 30 days, get a refund of that payment, and keep the premium.

But that's going to a lot of trouble to get a free special report. Asking for the money before you send the premium gains more of a commitment from the subscriber, resulting in fewer replies from people who have no intention of subscribing but just want something free.

At least two publishers have approached me recently with the idea of offering a best-selling book on the topic covered by their publication as a premium. Popular books are a bad choice, however, because many of the people receiving your mailing may already own the book.

You could offer a choice of an alternate premium, and ask the subscriber to pick one – either the book or another item. In theory, it sounds good, but it seldom works. The reason is the old rule of thumb: The more choices you ask the buyer to make, the more she has to think about it. And a decision deferred is a decision not made.

The typical guarantee offer a full refund if you cancel the service or return the product within 30 days, but some experts suggest a longer period. How long? Some recommend a lifetime guarantee.

Boardroom offers a full refund on the full subscription price, even if you cancel on the last day of your subscription. "It is a great selling point," says Boardroom's Michael Feldstein. "And since very few people cancel on a bill-me offer after they pay, the risk is minimal."

Bob Bly is a freelance copywriter whose clients include Kiplinger, Forbes, McGraw-Hill, Phillips, Agora, and KCI. He is the author of more than 50 books including *The Complete Idiot's Guide to Direct Marketing* (Alpha Books).

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## Using Guarantees To Sell Your Products?

By J.F. (Jim) Straw

If you have read any of the writings of the marketing gurus, you have often been told ...

**“To inspire faith in your product, you MUST offer a Guarantee.”**

Unfortunately, all too many of the marketing gurus teach you to use the guarantee as a MAJOR selling-point ... leading unwary customers into thinking that the product will overcome the customer's own personal ineptness, shortcomings, lack of ability or talent.

They usually recommend a “satisfaction” guarantee, like ...

**“If you aren't completely satisfied with our product, return it within 10-days for a full, no questions asked, refund of purchase price.”**

That's fine if you have a product that actually requires a “review” period before the customer can be sure they actually need the product. But, using that kind of guarantee on some products is counter-productive.

It's like using a “guarantee” as a MAJOR selling-point to sell a bicycle.

If you “guarantee” that riding your bicycle a person WILL win bicycle races, you can bet your bippy some people who don't have any legs will buy your bicycles simply because you “guarantee” they WILL win bicycle races riding it.

You'll make money from the sale - but - at what cost to your own “integrity” and the on-going “integrity” of your products or services?

In my own case, I used to offer a “satisfaction” guarantee on all of my products and services. -- Then, about 15 years ago, I had the computer spit-out all of the names and addresses of all of the people who had requested refunds under my guarantees.

### **Guess what?**

Fully 97% of the people on the refund list had requested refunds on at least 2 of my products or services ... 50% had requested refunds on 3 or more of my products or services ... and ... 20% of them had ordered and requested refunds on “everything” I had ever offered.

Reviewing those facts, I came to the realization that those “refunders” really didn’t want to learn “how” to do business, they wanted someone to give them an opportunity to rake in money without ever having to do anything. -- They didn’t have any legs but they kept buying “guaranteed” bicycles ... looking for a bicycle that would ride itself and grow legs for them. -- BUT ...

If the bicycle wasn’t “guaranteed,” they wouldn’t buy it.

That’s when I quit using a “satisfaction” guarantee on my products and services. -- I don’t want to lead people “without legs” to believe my bicycles will grow legs for them.

My decision to quit using a “satisfaction” guarantee also had an unexpected, wonderful result ...

There was no noticeable decline in responses - BUT - because I didn’t offer a guarantee, the quality of the people who bought my products and services improved. -- They were people who were honestly and sincerely seeking the products and services I offered. -- They were the kind of people who had faith enough in themselves that they didn’t need anyone to “guarantee” their success ... and they were willing to pay for the products and services they needed to achieve their goals.

Those people weren’t buying a “guarantee,” or trying to steal my experience by borrowing my products and services. (That, by the way, also made my “testimonial” files grow bigger and bigger with real, dollar value earnings reports from people who have used my information to achieve successes beyond their wildest dreams.)

Then again, there are many instances where a “guarantee” is either appropriate or necessary ...

Using our example of a bicycle again. -- Rather than “guaranteeing” that your bicycles WILL win races, a “guarantee” as to the quality of the workmanship and materials would be appropriate.

That way, the buyer is “guaranteed” that they will get a bicycle that will not fall apart and, if it does, you will replace or repair it. -- If a potential customer has no legs, the guarantee will be meaningless to them because they know they can’t ride the bicycle anyway.

In other instances, a “guarantee” may be necessary ... such as a size-12 dress, sold to a size-12 woman, that just doesn’t look right on her because of the cut, color or style.

As always ...

**ALL of the marketing gurus are right ... ALL of them are wrong.**

“Guarantees” can be an important element in your sales and marketing when the “guarantee” is either appropriate or necessary to the “integrity” of your product or service - but ...

“Guarantees” intended to play upon the hopes and fears of the gullible and less-than-informed, just to “make a sale,” are unconscionable. -- Those “guarantees” detract from the “integrity” of the product and mislead the unwary.

Being a marketer of quality products and services, to a “qualified” customer base, requires that you determine, from the nature of your product and the nature of your potential customers, when to use a guarantee ... what to guarantee ... how to guarantee it.

Then again, if your ad copy is “better” than your product, what are the odds the customer will ever buy anything else from you again ... even if you “guarantee” it?

Beyond that, over the past 30 years, I have found that “guarantees” used as a MAJOR selling-point doesn’t really produce the kind of customers you can keep.

Think about it! -- If an ad promises ...

**Get \$100,000 Overnight - GUARANTEED!**

... what kind of people will respond? -- You got it. -- Only the kind of people who still believe in the tooth-fairy. They would be an easy target for another “guaranteed” hot-air sandwich, but would be less-than-worthless for a legitimate business opportunity.

Just blindly following the admonitions of any of the known marketing gurus who loudly proclaim that “every offer MUST have a Guarantee” could be more damaging than helpful to your marketing success ... unless a “Guarantee” is either appropriate or necessary to the “integrity” of your product or service.

J.F. (Jim) Straw is the publisher of the “Business Lyceum e-Letter” -- a monthly “how-to” e-Letter providing tried and proven business methods, applications, techniques, and insider secrets. - Sign-up, today! - Just ‘click’ in the “Monthly Newsletter” box, at:

<http://www.businesslyceum.com>

## **Creating Powerful Guarantees**

By Tony Policci

### **Your Guarantee Will Make Or Break You!**

Guarantees are far too underused. You have to eliminate the risk from the prospect if you want to sell more. A guarantee is the easiest way to remove risk. When you use a powerful guarantee, you assume the buyer's risk. You add trust and credibility. So you get more sales.

Frankly, if you can't offer some type of guarantee on your product or service you probably ought to rethink your role as a businessperson.

### **Guarantees Are Important?**

When all else is equal, he who has the strongest guarantee wins! If you have no guarantee, you will always lose sales to competitors with guarantees.

### **How do you write your guarantee?**

You must decide what you are willing to do for the customer or client if they are not happy. This is the basis for your guarantee. You can replace the product, substitute another product or service, give their money back etc. The options for your guarantee are limitless

What ever you decide to do, the most crucial element of a guarantee is to reverse the risk. Once you take the fear out of doing business with you, you've eliminated a major stumbling block from a person's ability to buy from you.

Here is an example of a great guarantee on a fictitious product:

**You Get Our Better-Than-Your-Money-Back-Guarantee:**

Try "super stinker" perfume for a month. Wear it during your daily activities and on special occasions.

**If you don't see the amazing results... get compliments from total strangers... get more attention than ever before from your spouse or love interest... if you don't think this is a terrific "plus" to your personal image, anytime within 30 days return any unused perfume for a full refund plus \$5 "penalty money" out of our pocket for your inconvenience.**

For the specific target prospect interested in buying this fictitious product, that's a very strong guarantee.

This guarantee incorporates a penalty bonus. This penalty money is an example of knowing what the seller is willing to do to make the client happy.

When you are writing your guarantee think about ways you can reverse the risk and guarantee your product or service.

Remember **"The person with the strongest guarantee will get the sale."**

Tony Policci is a freelance copywriter. Subscribe to his free ezine and read a host of articles about copywriting on his site:

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