

# The Refund Handbook

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Refunds are no fun, but they are a necessary part of doing business. It doesn't matter whether you sell low-ticket stuff or high-ticket stuff. What is important is that you know how to handle them -- and how you can, in fact, turn refunds into a good thing.

## 3 Types of Refunds

There are three types of refunds: You've got your newsletter unsubscriptions from your free information. You're trying to lead people to a sale, but at some point they unsubscribe and cut off all contact with you forever.

You've got product refunds where someone has paid you money for a product -- maybe like a physical or just a downloadable, and they didn't like it. They might have given you a crap excuse or maybe a legitimate excuse, but whatever happened you had to give them their money back.

Then you've got charge backs and disputes, which are the worst kind because they have even avoided speaking to you and they go to their bank or to your payment processor and get the money back forcefully. We're going to talk about each of those types of refunds.

### Newsletter Unsubscriptions

The thing you need to realize about newsletter unsubscriptions is that you want people to unsubscribe. You want to weed out the tire kickers and keep the champions. If you have a smaller list, you get less spam complaints and you get more interaction. I know it's real fun to think of list building as a game, and the higher number the better. And you go and have all these free squeeze pages, and you join all these safe lists. You do coregistration, and you build up a huge list of 10,000 people, but then when it comes time to ask them for money or pitch them an offer they unsubscribe. Or even worse, they don't even respond.

So the point of building up a list is to get people in and move them up to become higher ticket people. And either they will or they will unsubscribe. So if you do any of the safe lists, the co-ops, the squeeze pages, expect lots and lots of unsubscribers and bounced e-mails. I build lots of lists based on paid products, and I still get unsubscribers because some people just want the one-time thing. And that's fine. I'm not going to turn a one-time sale away. If they unsubscribe that just means that it's the end of your relationship with them, and it's not a big

deal. You don't have to go and get all upset. You don't have to go and e-mail them, call them up and tell them why they unsubscribed. It just happens.

### **Product Refunds**

Then you've got product refunds. So with the unsubscribes it was okay because you didn't really lose anything. If anything, you saved yourself a bunch of hassle because at least they unsubscribed instead of hitting the report spam button. Or maybe they unsubscribed instead of their e-mail bouncing someday and causing you a big headache. So the unsubscribes are fine, but now you've got people refunding you. So they bought your e-book for \$47, and then they replied an hour later saying, "I don't like it. Give me my money back."

You know what? Just give them their money back. At least they didn't charge back. At least they didn't go back to their bank and force the refund and charge you a fee. And that means that you don't have to deal with customer support anymore. You shouldn't want to take someone's money if they don't want to give it to you. Some people are just like that. They just like to get the trial and they like to try stuff out and feel like they've gotten away with something, but these are not the people you want to market to. You don't want to market to the cheapskates. And these are the people who never get anything done anyway.

Just the fact that you pay for something, that gives you a reason to do stuff in your mind. It's kind of like -- did your parents ever buy you a car as a kid? Mine didn't, but I know plenty of people whose parents bought them a free car, and they treated it like crap. They drove it all around and didn't get it checked up on, didn't change the oil. My girlfriend had a car that was paid for by her parents, and she didn't take very good care of it.

Then I bought my own car, and I'm always taking it in for the oil change every 3,000 miles, and I'm going in and checking the transmission fluid and making sure the brakes are okay. I always get stuff replaced, get stuff fixed, because I paid for it.

And it's the same thing if you pay a hundred bucks for something. You're going to have a better chance of putting it to use than if you got it for free. I mean, just think of how many e-mails you get that you don't read or how many freebies you get through e-mail that you don't read, but then when you pay for stuff you actually use it.

So the people who refund -- you don't want to deal with them, and you won't have to because they are now out.

The bottom line that I'm trying to make here is that you want to weed out tire kickers on the front end. So people who are going to refund, they'll refund your \$7 or your \$10 items, but then the people who stay for all your bonus stuff, then they'll upgrade to the \$97 or the 197 or the 497.

So the tire kickers will get weeded out with the front end products, but your loyal customers will get your recurring memberships. They'll get your webinars; they'll get your high-end expensive coaching.

It's all about the 80/20 rule. 80 percent of your good business comes from 20 percent of your customers, and it's the same way that 20 percent of your business comes from 80 percent of your customers. So if you can read out all the people you don't need, you can just focus on what makes you the most money and save yourself a bunch of time.

I have had people asking if it's okay to hide their refund policy. I wouldn't do it because all merchant accounts require it so why not use it as a selling point. The thing is when banks and stuff process credit cards, they don't want you processing a bunch of fraudulent stuff. They don't want you processing stuff that's going to waste them time and waste them money. They want you to keep the charge back rate down. Charge backs are where someone goes to the bank and overrides everything and gets their money back.

So the banks would rather you refund on your own and keep all this bank nastiness from going on. Merchant accounts want you to keep your charge back rate to a minimum, and therefore, the third party merchants who then resell services want to keep charge backs to a minimum. So it's better to do a refund than a charge back.

So all these merchant accounts require it, require the ability to refund, because they don't want lots of charge backs, so why don't you use that as a selling point? Why don't you say, "You can buy my \$17 thing, and you can use it for two months. And if you don't like it at the end of the two months, you can go back and get a refund."

I know a copywriter who makes it a point to get high refund rates. If his refund rate is less than 6 percent, he'll refine the sales copy or refine the sales process to bring it up because he wants the most number of sales possible even if a few of them will refund.

## **Attitude Adjustments**

Just remember that most people won't ask for a refund. If your product is good and if you have loyal customers and all that good stuff, most people will not refund. You'll get the refunds from the crappy traffic sources like from the forums and from the safe lists, but your own lists that you build from previous customers will be of much greater value and you will have much lower refund rates as long as you're giving them something they're used to getting and as long as your offer and sales pitch is truthful and matches what the actual product is.

If you still get lots of refunds you should reconsider the processors that have high refund rates like ClickBank. Every month I'm about to bail out of ClickBank, because I compare all my profits and my stats, and I sell using both PayPal and ClickBank. And the only reason why I'm with ClickBank is because they're bringing me affiliates, but my PayPal sales get about a 1 percent refund rate -- sometimes less -- and ClickBank is from 10 to 20 percent every single month.

So when I get a PayPal sale, if I get a hundred sales, I can expect one person to ask for a refund. If I get a ClickBank sale and I get 10 sales, I can expect for one person to ask for a refund. So if I get a hundred sales on ClickBank and a hundred on PayPal, I can expect 1 refund from PayPal and 10 to 20 from ClickBank. So it's just almost not worth it. And if I wanted to reduce refunds I would ditch ClickBank altogether. I'm trying to build my business and I'm trying to build more affiliate sales, more automatic income. So in my case the refunds are worth it.

If you really, really want to hide the refund policy, check the terms of service. For example, PayPal does not require a refund with downloadable products because people can download stuff and can get the refund, and then they have your product and they have their money. So PayPal has it this their terms of service that they do not give refunds for that; so if you really want to hide the refund policy and someone comes to you and says "I want a refund," you can tell them "Well, that's the policy."

Now they can go one step further and get a charge back. So if that's your business model, if you want to rely on people to get a charge back, that's your call. But a lot of the time someone comes to you asking for a refund you should ask them what's wrong. Maybe there's something you can do for them to make it easier. Maybe it was just a problem in the book and they didn't understand and they thought that the whole idea was crappy, but then if you explain it to them maybe they'll get it. Or maybe they want some other bonus for free; so you gave them part of the solution and they want the rest of it. So there are a lot of options.

## **Conditional Refunds**

A good marketing tactic is to offer conditional refunds. So instead of trying to hide refund, instead of trying to make it a weak point of your marketing, turn it into a strong point. Make it an "in-your-face" refund. Say, "I'll give you double your money back if you try this and it doesn't work." Because so many people say, "Oh, you can get it and for any reason you can get your money back." But you can say, "All right, you can get your money back, but if you actually put this to use and if it still doesn't work, I'll give you double your money back."

I know a guy who does this double your money back policy with almost all of his products, and he's never, ever had to give it because the mentality of refunders is

they want to do as little work and spend as little money as possible; so if they put in all this time to actually get this thing to work, then they might as well just keep the product. And you can engineer the double your money back guarantee so that it's almost impossible for it not to work.

So one example might be how to get jobs on Elance, and you say, "Here's the proposal you write, and if you post this proposal on Elance and it does not get you any bids, you can get double your money back." Usually on high traffic places like that, if things are worded correctly, it'll get one or two bids. So you might even have people trying to get the double refund. They'll post the thing on Elance and then they'll get the bids. They'll get their money back, but then you won't have to give up your money because they will actually make the thing work trying to beat you.

So that's one way to profit from refunds is by having a conditional refund which gets people to actually use the product. And it's a double selling point because you can say, "I've got two refunds. You can unconditionally ask for your money back and I'll give that back to you, or you can do this thing and if it still doesn't work, I'll give you double back." Or you can even play up the unconditional and you can say -- so say your refund window is 60 days. You could say, "Try this for 30 days, and if at any point during those 30 days you want your money back, contact me. But if you've gone for those 30 days and you're still not sure, try it for an additional 30 days, and if after two months you still want a refund, contact me and I will give it to you."

You have to think about it as a guarantee. So if you were a freelancer and you did freelance web design, you can make a time-based guarantee. First you can make the simple money back guarantee just like I've been explaining. You can say, "If you don't like the design that I've made, we'll keep working until you're happy or I'll just give you your money back."

Or you can have it time-based. You can say, "If I don't have the first draft of the design finished in 7 days, you can get your money back." So if the job is not finished on time you get your money back. Or if you don't get results -- so if you were a search engine expert and you were going to improve somebody's ranking you could say, "If you don't get page 1 on Google, I'll give you your money back."

Or you could say, "If you don't make \$700 in three months using these techniques, you get your money back." So you can turn the guarantee into a really ballsy type of thing, where instead of just giving someone a book or instead of giving someone information, you give them a solution that has to work or else they don't pay.

All right, so that was how to deal with refunds and how to use your guarantee to get more sales and to increase your refund rate which you actually might want to do.

## **Chargebacks**

Next we have charge backs. A charge back is where the customer goes over your head and they go to their bank and they get the payment forcefully taken back. They can do this up to six months later. There's some deadlines that are like three months, but I've heard of guys who have gotten charge backs a year later. And it's really nasty, and it just comes out of nowhere. Usually it costs a fee that you get stuck with. It costs \$10 or \$20. You get stuck with this; so not only do you have to give the money back, but it costs you -- so just to add insult to injury.

And the reason for this as they explained was many merchant accounts require less than 1 percent charge backs. So that's why it's better to do a refund than a charge back. They always side with the consumer. They're not going to side with you. Charge backs happen; so just be aware that charge backs happen. And if you're angry about a refund and you don't want to give them the refund, just save yourself some time and hassle, avoid the charge back, and give them the refund.

## **Reducing Refunds**

Here's some ways to reduce refunds:

Make the e-mail support very clear or add a helpdesk. So I will put my e-mail address on the thank you page of the product. I will put my e-mail address within the product. I will put my e-mail address on my sales letter on every single page. So I'll make it super duper easy for people to e-mail me, and I will give a separate e-mail to the public and to the people who buy a product. And people will e-mail me from the e-mail address I give to the public because they just want their problem solved as soon as possible.

My favorite way to reduce refunds is to give bonus follow-ups. Somebody buys your one-time product, your e-book or whatever, and after a month or after a couple weeks you give them a bonus chapter or a hidden chapter. Or you give them an extra idea or you just check in on them and tell them that by now they should have gotten to page 10. So even if they were planning on refunding and they get these e-mails from you after five days, after a week, after three weeks, they're like, "Hmm, is it more profitable for me to stay on this guy's mailing list and get all these bonuses or all these surprise things, or should I get the refund?" And usually you can make it so that it's more valuable to stay on the list.

## **Add Followups and Bonuses**

Marlon Sanders schedules follow-ups so that people continue to get bonuses over the course of an entire year. I know a marketer who announces all the bonuses in advance. So if people buy and they're about to refund, he says, "Well, after

month one I'll give you this and this and this. After month two, you'll have this and this and this." He extends it out so many months that there's no way you could refund; so it keeps people happy within that window between the time they buy and the time they refund.

You could give surprise bonuses. So after five days you say, "Oh, it's been five days since you bought this product. Here's an extra bonus just for being my loyal customer." And people might think, "Wow, you came out of nowhere with this surprise. Who knows how many more surprises are waiting for me down the road as long as I stay a loyal customer."

Or you could have a loyalty requirement, like have a membership or have a forum. And if they stop paying, then they no longer have access to that forum. This is really good with software. With software you can have the program dial home, and if their license has been revoked, it will no longer work.

That's probably the best way to feel good about refunds because if they buy and they get their money back, then they no longer can use the service. And I have heard story after story about guys who run software programs like this, and they get someone who buys, and then a day later they refund. They cut off their access and then the person sends them nasty e-mails afterwards saying "Why'd you cut off my access?" "Well, I cut off your access because you stopped paying."

And I actually know of a guy who had a customer who bought from them, refunded, access was cut off, and then the guy bought from him a second time and stayed on because he knew that if he got the refund then he would lose his access.

So that is my two favorite ways to do it: No. 1, bonus follow-ups, but the foolproof way is to cut off access. You can't really do that with information like with videos or for e-books because no one wants to fire up a program just to read an e-book. But if it's software or if it's a membership service then you can very easily revoke access if they refund.

Here are some common sense principles just to avoid the usual stupid mistakes that many marketers make that lead to an increase of refunds that you can avoid just by making a few small changes in a few minutes.

## **State Your Billing Name/Charge Amount**

Make sure to state your billing name and charge amount on the thank you page. I can't tell you how many things I've bought from people, but then when I look at my credit card receipt I see an 800 number or I see some weird product name. So you tell them exactly what is going to show up on their credit card and for

what amount. Even if they forget what the name was going to be, if you tell them they're going to get charged \$77, make sure they know that.

Another thing is if they pay for something online, make sure that you deliver whatever they need in two different ways.

So if it's a downloadable, give them the URL. If it's a physical product, give them the tracking number or their order description, but you want to redirect them -- so after they pay, you send their browser to a certain URL and you e-mail them that URL. So even if their browser crashed or if they forgot to load this other URL or they got distracted or for whatever reason, they can always get back to it; because I've had so many people -- before I did this, I used to just redirect and not e-mail, and I'd have people who just forgot to click on the next button, and they wouldn't think to contact me and they would just get their refund.

Also, make sure that you accurately describe your product in the sales letter. Don't promise things that it can't do because people are going to buy and then they're going to refund and they're going to be angry because you deceived them. And they're going to talk about you more in a bad way than if they had good things to say about you.

Here are some not-so-obvious solutions to reducing refunds:

## **Raise Price**

You could raise the price. So many times I have seen people sell stuff for such a low price, but as soon as they raise it, they'll see that the conversion rates are almost the same, but they will get a better type of buyer who won't tend to refund and won't be such a hassle and actually wants to benefit from this product. And since they have sunk so much money into that, they will take action and get their money back instead of pestering you or instead of just being a jerk and getting their money back and so on.

You will get better targeted traffic if you want to reduce your refunds. So maybe a lot of your traffic comes from the wrong kind of forum or it comes from free advertising. Maybe you should get into pay-per-click advertising so that you don't get the tire kickers who just buy your stuff just to know what it's about.

Or switch to physical products because if you send stuff to somebody and they refund, you can give the tracking number and say, "Look, I really did send this to them." And your processor can actually fight the refund or even fight the charge back because you said, "Here's the proof that I sent them this thing they ordered." They can still get the refund if they ship the product back to you. Many people just won't do that because the mentality of the refunder is to be lazy. So you can send these physical products just for the sole purpose of reducing refunds.

And you can do the dial home method; so if you sell software you can have it call up your server and verify their e-mail address or their payment receipt. And if they have gotten a refund you can cut off their access forever.

## **80/20 Rule**

It's all about the 80/20 rule. Your top 20 customers are the ones you need to focus on because the rest cost you a bunch of extra time but don't get you a proportional amount of money. So the top 20 customers, treat them like kings and queens. Make new products with them in mind. Call them up on the phone and make sure they got their product.

The middle 60, they're your valued clients. They're the people that you still want to sell to, but they're not ideal. They're still very reliable and you can always count on them to not refund and to buy from you and so on.

The bottom 20 are the people who just buy one thing from you or get the refunds, and you want to weed them out.

Here we go: The top 20 customers. Send them hand-written thank you cards. If someone paid you \$500 or more over time, they really like you. So why not show them that you appreciate their business by writing thank you cards.

George Bush, Sr., used to write thank you cards every day. He wrote like four cards a day. Four cards a day is 1200 thank you cards a year -- or even more than that -- 1500 thank you cards a year.

You don't have to do four a day, but just do four or week or just one a day. Just make a handwritten thank you card. Look at the payment receipt to get their name and their address and mail to their physical address. Use a real envelope and a stamp and write out a real quick generic message that says "Thanks for your order. I know you've ordered a lot of stuff from me before, and if there's anything you need let me know." Simple.

Call them on the phone after they buy. I have done this with some of my VIP customers. So a guy I see has bought from me before or maybe he's really famous, I'll just give him a call and I'll say, "Hey, did the download work okay? Were you happy with your purchase? Can I upsell you to something else?" So few people do this stuff. They make the whole process automated. They don't even look at their orders, and they don't make any effort to build the relationship.

And people get so surprised that you actually took the time out of your day to call them on the phone and make sure everything was okay. It associates warm and fuzzy feelings with buying your stuff, and that's a very good thing because the

next time they want warm and fuzzy feelings they will go and buy more of your stuff.

## **Customer Care**

You can send them free stuff, free products. So you said, "You've bought my last ten things. I'm going to give you my newest product for free just because I really value your loyalty and want to keep you on as a customer."

Or you can promote their offer; so they bought from you and you look and you see if they have an affiliate program. And if you like what they have to sell and if your list will respond to that, send traffic their way. You make them money, and you get money and you didn't really have to do a lot of work.

You could send business their way. So if you sell a course on how to make HTML pages and this guy buys all your stuff and he's a really good graphic artist, you could -- on your thank you page -- say, "Well, you just bought this course about how to make HTML pages. How about some graphics to go with that? Here's my best buddy graphics artist."

Or you'll end up having all kinds of people ask for referrals to a graphics artist and you just have this one guy that you always recommend and you always send people over to this graphics artist. And you tell them, "Make sure that they know that I sent you." And then that will just get your name coming up over and over, and you'll send them a few thousand dollars of business their way every year.

Your top 20 customers -- you can meet them at seminars. So when I go to seminars, I usually mail my list and I tell them, "I'm going to be at this seminar during this weekend so if you're there let me know. Tell me who you are. Tell me your name. Tell me where to find you. Here's my phone number. Give me a text message and we'll go out for lunch or something."

That is such a trip when you meet customers at these seminars and they just know everything about you and they know all the stuff you sell and they think you're the best. And maybe you think they're the best, too. And it's just so much better than all this impersonal selling.

Or you can train them as affiliates. If this customer always buys your stuff, maybe they know it backwards and forwards. Maybe they can get a new slant on it and market your stuff to their list.

The middle 60 -- use them to decide what to work on next. Think about surveying people and getting polls and all that good stuff. You're only going to get good answers if you have lots and lots of people replying. So you might have your top 20 customers, but you might not have a lot of them, but the middle 60

are going to be the masses. So you ask them what to work on next. You look at what they buy, and you know what? They keep you honest because a lot of your top 20-ers -- let's face it. They'll buy anything you put out, but the middle 60 will keep you honest. They'll make sure that you mix in real content with your sales. If you don't, they'll be sure to complain to you and tell you that you need to do better.

Your bottom 20 percent. Let your autoresponder content do its job and give them the follow-ups to keep them around. These will be the customers that take up a lot of time and they'll complain to you. So what you want to do is turn these customer support issues into ideas for bonuses and follow-ups.

So if there's the same problem always coming up by these people, maybe that's another report you can make. Maybe that's a free bonus video you can make to explain to people "All right, you get this problem. Here's the solution." And even if these people are too lazy to find these extra videos, just link to the videos. So they say, "How do I do this?" You sell your Dreamweaver course and they're like, "Well, how do I make the yellow highlighter effect?" You say, "All right. Here's this video I made a year ago showing how to make the yellow highlighter effect in Dreamweaver. Here you go." So instead of having to retype this thing over and over, you just give them the link.

And you use these people to give you a reason to send out the notification of follow-ups of upcoming bonuses. So you use these people to make your products super duper good.

## **Be Wise With Payment**

How about some more advice? Do not accept e-checks or other forms of payment. Most of my refunds for the longest time were because people paid by check. They paid using bad checks and just made up check numbers. And the order went through and then three days later it was declined, and guess what? They got my downloadable product.

And then it hurt my standing with the payment processor so I disabled e-checks, and even though once in a while I got somebody complaining about it, it was well worth it because my refund rate dropped.

Then you have people e-mailing you saying, "Oh, well I'm from this certain country out in the middle of nowhere, some third world country, and your payment processor does not accept my payments. I'm from Nigeria. I'm from Thailand or something. I'm from South Africa, and I can't pay using your payment processor. Do you accept..." and then they tell you some weird processor you've never heard of. If you were desperate for the sale you might

accommodate them and you might sign up and get an account there, or you might just be smart and say no.

Because let's face it -- there's a reason why your payment processor blocks their country -- because it has a reputation for having lots of fraudulent payments or the banks just have problems and the payments don't go through or whatever. I know it sounds kind of harsh. It might sound borderline racist, but only stick with your payment processor. Block problem countries if you always get sales from these countries.

I used to allow lots and lots of countries to buy from me, but then I would get a sale and I could almost tell you whether or not they were getting a refund based on their country. I don't know. I don't know if it's the mentality of people in that country or if the exchange rate is so bad that \$10 for us is like a thousand dollars for them. I don't know, but a lot of these countries, like it or not -- I know it's not politically correct -- but a lot of these countries are always the ones that have the refunds.

So if your processor allows you to block certain countries and you keep getting refunds from these countries, block those countries. If you get refunds from the same person and your processor lets you block that person, do it. So block their e-mail address, block their IP address, block their credit card, whatever.

And make sure to track the product; so if you have a physical delivery keep track of the shipping number so if there's a dispute you can give that. And learn how to read your web server logs so you can give the IP address and show that they actually downloaded the product. If it's downloadable, show that they paid for it and they downloaded it, and now they're trying to get a refund.

## **Things To Remember**

Only a small percentage of customers refund so don't waste a bunch of time dealing with this issue. Just move on. Some people are cheap or pessimistic and they're not going to believe that your product can do what you say. No matter how much selling, no matter how much proof you give, they're just not going to believe it.

If someone really, really wants their money back, you're going to lose that money. That money's gone and the only thing you have left to lose is time; so don't waste time fighting the refund. So I hope all this advice gave you lots of ideas about how you can turn your refunds into good things by improving your sales process, maybe focusing on the top 20 percent, blocking the troublemakers, switching to a different payment processor, whatever. Just turn it into a good thing and don't waste time fighting the refund because they'll charge it back.

