

Removing Prospects' Risks and Fears

Pt 2

Performance Guarantees

What Are Performance Guarantees?

In the previous transcript we examined the theory behind prospect conversion. We explored that “risk” was one of the largest reasons prospects don’t buy, and in order to increase your percentage of conversions, you need to employ what we call “Risk Reversal” strategies. In this transcript we will be looking at another type of risk reversal, known as “Performance Guarantees”.

A Performance Guarantee reduces a prospects’ risk by compensating your prospect if they don’t receive what they were promised. The most popular Performance Guarantee is a “Money Back Guarantee”. These are a very powerful risk reversal as they aim to eliminate the single biggest risk your prospect faces.

Why Do We Use Performance Guarantees?

They Show You Stand Behind Your Offerings

If you, as the seller, do not believe in your products / services – or if prospects perceive that you don’t – there’s no chance the prospect will believe in them either. By guaranteeing that your offering will do as you promise, you put your money where your mouth is and therefore give your buyer greater confidence.

They Raise The Bar On Your Delivery

When you or your staff know that you only get the money when you have delivered on your promises, you will all work much harder to meet (and even exceed) the expectations of a client... and clients recognize that!

They Can Powerfully Differentiate You From Your Competitors

At least 90% of businesses, including your competitors, are not prepared to back what they promise with a Performance Guarantee. This creates a unique opportunity for you to easily and powerfully stand out from the crowd. Often, if your Performance Guarantee is strong and unique enough, it can actually become your “Unique Selling Proposition” (see Standing Out From The Crowd transcript).

Types Of Performance Guarantees

There are two main types of Performance Guarantees:

Method One: Money Back Guarantees

A Money Back Guarantee promises to refund the purchase price if the client's expectations are not met.

For example:

A weight loss company could guarantee that their clients lose weight or get their money back. A brand of laundry detergent could offer a Money Back Guarantee on removing tough stains. These are common, especially on direct-response marketing such as infomercials and mail order catalogues.

Method Two: Compensatory Guarantees

These promise to compensate the client with a substitute offering, rather than a full refund, if their expectations aren't met. Compensatory Guarantees can be highly effective where “Money Back Guarantees” are impractical, or of little value to your prospect.

An example of a Compensatory Guarantee is: a builder working on a brand-new extension may promise to complete the project on time. If they don't, they promise to cover the costs of a hotel room for every additional day the work continues. In this case it would not be practical for the builder to refund the payment, as they have spent much of it on materials – and the client is more concerned with getting an extension completed rather than having their money back.

Real Life Examples: Money Back Guarantees

Tint Professor

At the time of writing, the Tint Professor has seven service outlets across Melbourne offering window tinting for vehicles. They provide an Unconditional, 30-Day Money Back Guarantee if you are not 100% happy. This entitles the client to bring the car back within thirty days and have the tint removed and purchase price refunded in full.

Serious Fitness

Serious Fitness offer personal training and other exercise services in the Melbourne area. However, unlike other facilities they guarantee their results. Those clients who take up their “Platinum Package” are guaranteed to see results in twelve weeks or receive a full refund.

Sunglass Hut

Sunglass Hut is a retail store with a wide range of sunglasses. They offer a Money Back Guarantee for their product. Their in-store signage reads: “If you are not satisfied with your purchase we have a thirty day exchange or refund policy on return of the product in original condition”. Another great guarantee they offer is: If you see the same pair of sunglasses in another store for less than what you paid within 30 days of your purchase, they will refund you the difference.

Real Life Examples: Compensatory Guarantees

Woodards Real Estate

Woodards is a real estate agency with locations all over Melbourne. Like most agents, they offer both Sales and Rental services. Guarantees are something not often seen in this industry, but Woodards have broken new ground with their “Landlord Cash Flow Guarantee™”. With this, Woodard’s guarantee that their landlord will receive rental income whether or not the tenant has actually paid.

Trent Driving School

Trent Driving School is a learner driving school based in Sydney. They offer clients a free lesson with a different instructor if the client is not totally satisfied with a particular lesson.

What Can You Guarantee?

There are many things you can guarantee. We recommend you identify what the single biggest risk is and guarantee to reverse it.

For example:

A Dentist might guarantee no needles.

An exterminator may guarantee to prevent continual infestation.

A bedding company may guarantee against back pain.

However, guaranteeing against the single biggest risk is not always practical.

For example:

It would be difficult for a stockbroker to guarantee that your shares will increase in value.

But he / she could guarantee that they have the best rates, or that they will provide you with share price information and recommendations faster than anyone else. They could even guarantee you access to “exclusive” stocks, that no-one else can get their hands on.

Here are six different areas you can consider offering a Performance Guarantee on:

Guarantee Results

Identify the single biggest result a client wants and guarantee it (if practical).

For example:

An anti-wrinkle cream could promise to reduce visible lines within 90 days or offer your money back.

Guarantee Time To Completion

A completion date guarantee works well in industries where the service is an inconvenience, such as home repairs and construction, or when extra time means additional expense to the client.

Guarantee Durability

People like to know that their product is going to last a certain duration, or their service will create lasting results.

For example:

If you're a plastic surgeon, many prospects would like to know that your results will be long-lasting.

Likewise, if you are selling a product such as a plasma television, your prospect would like to know that they will get value for money with many years of usage.

BMW Australia offers a 3-year Unlimited Kilometer warranty for their vehicles.

Guarantee Lowest Prices

One of the most common guarantees is the lowest price. Deciding whether to use this particular guarantee depends on how you are positioned in the marketplace. If you have a premium quality product / service then this one is not for you. In that case you can guarantee to deliver on other aspects of your product / service that enhance the client's experience. However, if you would like to appeal to price-sensitive consumers, guaranteeing the lowest price can be very effective.

For example:

At the time of writing, Mitre 10 had introduced a 10% Price Beat Guarantee on any identical products in stock. This is to compete with their giant rival Bunnings Warehouse.

Guarantee Cost-Capping

In some businesses, the costs of projects or services rendered can blow out beyond initial expectation, such as in construction work, legal services, IT services... Many prospects are frozen in these circumstances because they are concerned that they will be forever paying above and beyond what was initially quoted. This is especially so in areas where the client has little knowledge themselves. In this situation, by guaranteeing a cost ceiling, prospects will be far more likely to purchase.

For example:

Many mobile phone carriers understand people's reluctance to sign up on certain mobile phone plans, because of the possibility of unknown costs. Hence the introduction of capped mobile phone plans.

Guarantee Satisfaction, Service, Or A Particular Experience

In some cases it's impractical to guarantee a specific result or cost. However, you can often guarantee a certain experience that a client does (or doesn't) want to have.

For example:

People don't like having to queue for long periods of time. As a health professional, you may not be able to guarantee that you can cure any illness, but you can guarantee minimal waiting time.

How Do You Communicate Your Guarantee?

Once you have determined the effectiveness of a guarantee by testing it on prospects, you can communicate it on your marketing collateral. Your marketing collateral can include brochures, flyers, websites, verbal sales presentations, your business card...

Here are some phrasing ideas to help get you started:

- 100% Unconditional Money Back Guarantee
- 100% Genuine Money Back Guarantee
- Lowest “Your Product / Service Category” Prices Guaranteed
- Price Beat Guarantee
- 90-Day Satisfaction Guarantee
- We'll Beat A Lower Price By 10%, Guaranteed
- If you don't get X, we'll refund 100% of your payment
- If you don't get X, we'll give you Y

Implementation

Activity One

Make a list of three of your competitors and the guarantees they offer.

Activity Two

Make a list of the top five biggest fears your prospects face when buying your product / service (e.g. waste of money, loss of time, durability...).

Activity Three

Prioritise this list into what is most important to your prospects.

1.

2.

3.

4.

5.

Activity Four

In the left column of the table below, list your prospect's five biggest risks in order of priority. In the right column, determine whether you can offer either a Money Back Guarantee or a Compensatory Guarantee for each.

Risks	Money Back Guarantee / Compensatory Guarantee

Activity Five

List the most compelling guarantee you can offer to convert your prospects into clients.

We recommend you go out and start testing this guarantee and at least two others on your prospects. This can be done during a live sales situation, asking a prospect in a conversation which is most powerful to them, or even trialing different guarantees on your website or other materials.

With all guarantees, the trick is to make sure you can deliver on what you promise. Be careful not to make unrealistic promises.