

BY ELISABETH A. SULLIVAN//STAFF WRITER

## GUARANTEEING SUCCESS

MONEY-BACK GUARANTEES CAN BE A USEFUL MARKETING TOOL WHEN CONSUMERS ARE WATCHING THEIR WALLETS

### MONEY-BACK GUARANTEES ARE

seemingly as old as Samson—or at least Sears, Roebuck and Co.—with companies proclaiming “YOUR SATISFACTION OR YOUR MONEY BACK!” in big, bold letters to bolster consumers’ trust in their products and services. But these days, money-back guarantees are helping to bolster another kind of trust: consumers’ trust in their own ability to open their wallets.

In this economic climate in which many consumers’ jobs are tenuous at best, the power of a money-back guarantee is that it removes many risks associated with making a purchase, says Michael Fassnacht, executive vice president and chief customer intelligence officer at Draftfcb, a Chicago-based integrated marketing and advertising agency. “It’s all about winning confidence,” Fassnacht says. “It’s about [saying], ‘We feel your pain.’” With a guarantee, a company can communicate not only that it’s confident in its offerings, but also that it understands the financial pressures that consumers now face. A guarantee demonstrates that the company is willing to work with consumers to get the deal done.

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Now that nearly every consumer is counting his pennies, marketers employing this age-old tactic are making headlines. We’ve all heard about Hyundai Motor America and JetBlue Airways Corp. Even the *Sun Journal*, a daily newspaper in Lewiston, Maine, is offering to refund readers’ subscription costs if the paper’s ongoing series featuring daily money-saving tips doesn’t help subscribers save at least \$1,000 in six months.

Of course, money-back guarantees aren’t confined to the consumer goods space, and several companies in the marketing industry are getting in on the game. From July to December 2008, Boston-based word-of-mouth marketing firm BzzAgent Inc. challenged brand marketers’ agency partners to run a competing campaign with BzzAgent, and if BzzAgent didn’t beat the agencies’ results by 20% in brand awareness, consumer opinion, purchase intent and actual sales, the marketers would be refunded for their

word-of-mouth campaigns. The money-back offer generated more than a dozen leads and brought in about four takers. No one requested a refund, says BzzAgent founder and CEO Dave Balter.

In September, New York-based Forbes.com Inc. extended a guarantee program, which ensures that marketers who spend at least \$1 million on advertising with Forbes.com over 90 days receive agreed-upon levels of reach and frequency. In November, New York-based online ad network Undertone Networks, which only works with “premium” online publishers, announced a money-back guarantee ensuring that advertisers’ ads won’t end up on inappropriate Web sites. And in March, the New York-based Association of National Advertisers announced a money-back guarantee ensuring attendees’ satisfaction with its brand-building conference in New York this month.

While most money-back guarantees in the consumer realm these days are about shoring up consumers’ confidence, such guarantees in the B-to-B realm often are simply performance-related payment models, Fassnacht says. “Whether you call it a money-back guarantee or not, it’s more of a pay-as-you-go situation,” adds Sridhar Moorthy, a marketing professor at the University of Toronto’s Rotman School of Management who serves on the editorial board of the *American Marketing Association’s Journal of Marketing Research* and has researched money-back guarantees. As marketing becomes more measurable, accountable and metrics-focused, we’ll surely see more marketing firms and solutions providers adopting performance-based payment models, both experts say.

And while consumers remain hyper-focused on financial matters, it’s likely that we’ll see many more consumer-directed companies adding money-back guarantees to their marketing campaigns, Fassnacht and Moorthy say. Money talks, and the security of a purchase protected by a money-back offer certainly sings these days. But marketers should employ this tactic with discretion.

There’s a chance that the guarantee will be abused, Moorthy notes. Some consumers might use a money-back guarantee as a way to test a product when they have no intention of keeping it. Certain products might not be suited for money-back guarantees. And it’s harder for service providers to offer a money-back guarantee because the metrics to determine dissatisfaction or other issues aren’t as clear-cut.

Also, if you’re offering a money-back guarantee in response to the pressures

### How money-back guarantees can pay off for your business:

- 1 They attract consumers’ attention—especially when everyone’s mind is on economic concerns.
- 2 They boost brand awareness. Newer brands can position themselves as high-quality and worthwhile by offering a money-back guarantee.
- 3 They foster consumer confidence. If a company is confident enough in its product to offer a money-back guarantee, consumers will be more confident in the product as well.
- 4 They remove perceived risks associated with making a purchase. If a consumer knows he can return a product, there’s likely to be less hesitation to buy it.
- 5 They can be great PR for a company’s image. During tough economic times, companies that offer money-back guarantees can communicate that they understand consumers’ concerns.

consumers face in this economic climate and your offer isn’t carefully worded, “you might touch on a negative emotion of insecurity [prompting consumers to think], ‘Can I afford this?’” Fassnacht warns. “In some ways, you’re reminding them that they might lose their jobs.”

When used well, though, money-back guarantees often have been shown to attract consumers’ attention, boost brand awareness and, ultimately, drive sales. Many reports indicate that as few as 1 to 2% of customers ever request their money back from such an offer, and that’s probably a good estimate, Fassnacht says. “It’s much more about the feeling that they could [request a refund], but most people never do.” **m**

GET IN THE GAME

## CABLE TV COMPANIES MULL HOW TO SATISFY CONSUMERS ONLINE

**CABLE TV OPERATORS** have treaded gingerly with online video. The companies want to meet consumer demand to watch favorite shows on the Internet, but they don't want cable TV to lose its place as the home's main entertainment pipe.

These ideas were in the air in early April at The Cable Show, the industry's

annual trade convention. Cable TV operators agree they have to respond to the trend of online TV in a way that doesn't decimate their business, much like the Internet has hurt the music and newspaper industries.

One idea rapidly gaining ground is to let only subscribers watch cable shows

online using an authentication process cable companies have yet to finalize.

This idea goes by at least two names. Comcast Corp. calls it "On Demand Online," while Time Warner Inc. has dubbed it "TV Everywhere."

Subscribers would be able to connect to Web sites specially set up to view cable shows. Or existing cable Web sites, such as HBO.com, would have a dedicated area only subscribers can enter.

Either method would create a "walled garden" of cable shows and keep that content from being offered for free over the Internet.

Still, there are tricky things to overcome. Jerald Kent, chief executive of cable operator Suddenlink Communications, pointed out that cable companies have to decide whether to give access to each user or each home. They also have to figure out how to treat second homes of subscribers and decide what to do if subscribers' children take access with them to their college dormitory.

The debate within the industry also touches on unauthorized use; for example if a subscriber lets a non-customer use his user name and password to gain access.

Some ideas being considered include limiting one household to five accounts, which could be used on several devices. Another is to copy what iTunes has done, which is to link the accounts to a credit card so customers will be less likely to share them.

*Cable companies should see online video as a new service that can boost business.*

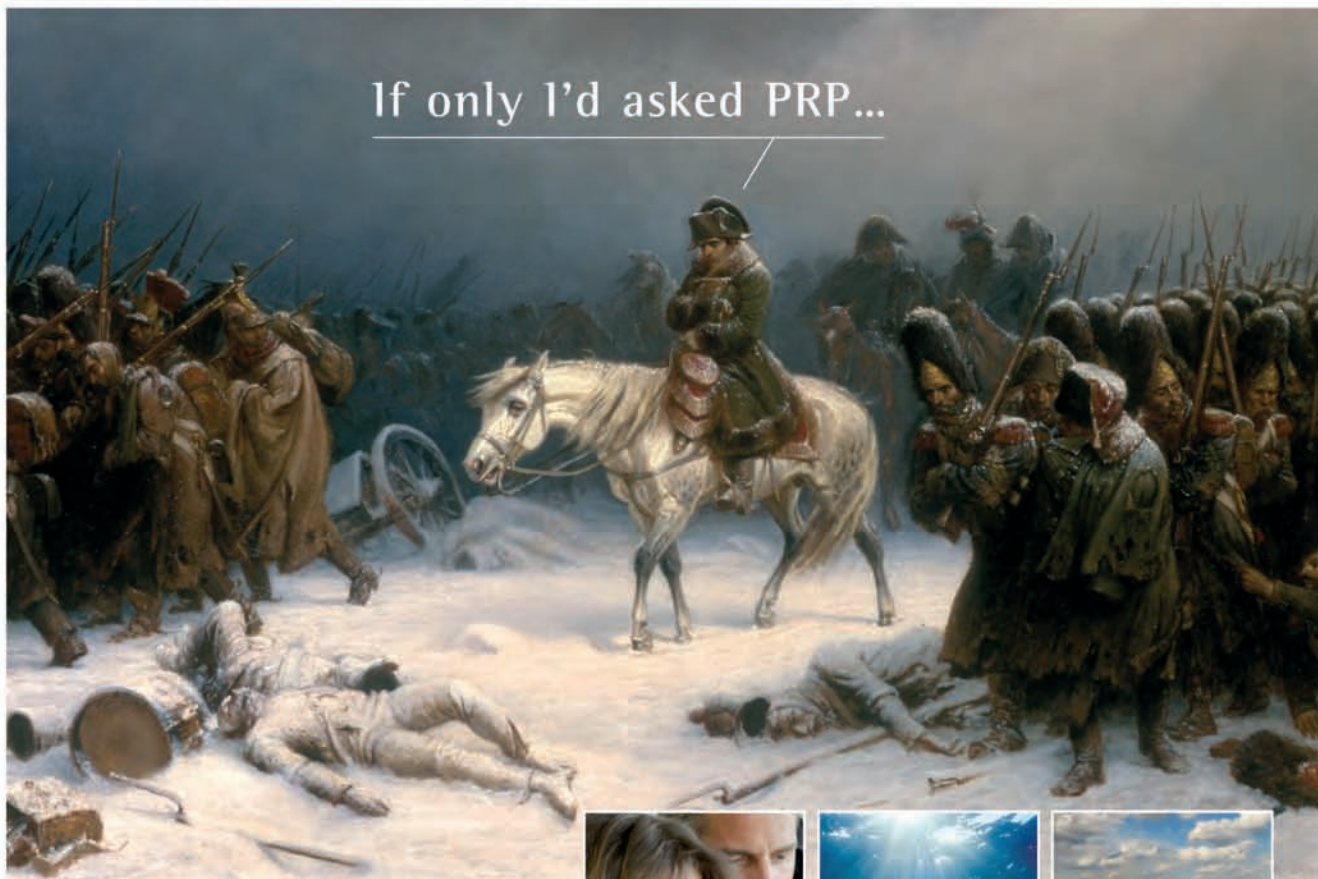
A key point in the talks is changing consumers' view of Internet content as always being free. "We want to change consumer behavior somewhat, so the expectation that everything online is free has to change," said Lynne Constantini, executive vice president of affiliate sales and marketing at Scripps Networks, which owns the Food Network and HGTV cable channels.

But whatever form cable's efforts eventually take, Comcast CEO Brian Roberts said it's not a matter of online video completely replacing cable TV. Rather, cable companies should see online video as a new service that can boost business.

"It's a friend, not a foe," he said. "Give the consumer what they want but do it in a way that is fair, friendly and at the same time adds value, not destroys value." **m**

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