6 key insights
to developing a seamless refund experience

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6 KEY INSIGHTS TO DEVELOPING A SEAMLESS REFUND EXPERIENCE EVALUATING THE PROCESS
• REDUCING ADMINISTRATIVE BURDENS
UNDERSTANDING REGULATIONS • IMPROVING DIGITAL CUSTOMER SERVICE
UNDERSTANDING THE DEMAND • PRESERVING YOUR BRAND

Introduction

Each year US consumers return $642.6 billion worth of goods and services, much of which is for credit balance refunds—overpayment, subscription cancellations, and the like. Yet many of these refunds are still being issued via inefficient processes that best business practices and consumers' modern lives outpaced long ago. In a marketplace where consumers can purchase products and services in a single click, issuing refunds any other way seems archaic. Moreover, the delays and inefficiencies of issuing checks can leave a negative impression on the consumer, perpetuate inefficiencies for business operations, add to the workload of customer service departments, and cause branding problems for marketers. The high cost of issuing check refunds impacts every business function.

Why refunds should be digital— and not physical

While the priorities of each industry and individual business may be unique, their refund strategies share common benefits, providing its users with cost savings, operational efficiency, and the ability to properly manage unclaimed property. Beyond these, a digital refund solution offers multiple communication channels and even a customer retention component. The advantages of such add-ons cannot be overstated; after all, it is much easier to save an existing customer, even if they're dissatisfied, than it is to acquire a new one[1]. It's also cheaper: it costs six times as much to earn a new customer as it does to win back an existing one – and that existing customer is up to 14 times as likely as a first-time visitor to make a purchase[2].

Refund execution almost always originates in your company's customer service department. The average consumer interacts 65 times per year with customer service representatives, who facilitate these important conversations. Statistics indicate clearly just how vital customer service is—not only to retaining customers but to maintaining your brand and potentially winning back customers. According to recent global surveys :

96% of consumers say that customer service is very important or somewhat important in their choice of and loyalty to a brand[3];

76% of US consumers say they view customer service as the true test of how much a company values them[4];

56% of consumers have stopped doing business with a brand or organization due to a poor customer service experience[5].

When the customer service conversation has exhausted options and it comes time to issue a refund, the strategy by which it is implemented takes on considerable weight because it contributes to many outcomes, including costs, operational efficiency, and your brand's reputation. Regardless of your goal, an integrated refund strategy can help.

[1] Business 2 Community: 'It is 6 Times More Expensive to Win a New Customer than to Retain an Existing One', 2016.
     https://www.business2community.com/strategy/6-times-expensive-win-new-customer-retain-existing-one-01483871
[2] Farris, P. W. / Bendle, N. / Pfeifer, P. / Reibstein, D.: 'Marketing Metrics: The Definitive Guide to Measuring Marketing Performance', 2011.
     http://www.pearson.ch/HigherEducation/Marketing/MarktingResearch/1471/9780137058297/
[3] Microsoft: 2017 State of Global Customer Service Report.
     http://info.microsoft.com/rs/157-GQE-382/images/EN-CNTNT-Report-DynService-2017-global-state-customer-service-en-au.pdf
[4] Aspect Software & The Center for Generational Kinetics: The Aspect Consumer Experience Index.
     Millennial Research on Customer Service Expectations, 2015.
     http://genhq.com/wp-content/uploads/2015/06/The-Aspect-Consumer-Experience-Index-c-2015-The-Center-for-Generational-Kinetics.pdf
[5] Microsoft, 2017.

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Issuing Refunds

A Refund Is an Opportunity

It's no wonder that many businesses view refunds as a necessary evil. Preparing and issuing checks is expensive—$3 to $12 per check on average, with all expenses factored in—and in those cases when the refund signals the end of the customer relationship, the refund creates a void in the customer base that will cost five times as much to fill as it would to have kept the existing one6.

In fact, a refund is an opportunity to rebuild a relationship with a good customer and to extend your brand's reach. And as was the case in the refund request, the foundation of a successful refund strategy—which is really part of a customer retention strategy—begins with customer service and communication.

"A CUSTOMER-FOCUSED REFUND-ISSUING SYSTEM FIRST CONSIDERS WHAT THE CUSTOMER WANTS: **SPEED, CHOICE, AND EASE**."

The Medium and the Message

A customer-focused refund-issuing system first considers what the customer wants: speed, choice, and ease. A streamlined, tech-first solution lets customers decide how they want to receive their refund and can deliver it quickly—often in real time—and gives customers choices. They can receive a prepaid card, which they can then add to a mobile wallet or use directly for purchases; have funds securely deposited into a bank account; or receive a paper check.

Regardless of the medium the customer chooses, brand messages must be present in both form and content. Information and instructions need to be clear and on-brand, drive a consistent message across digital and print communications, and remind customers how easy it is to access their refund payment. Essentially, all refund communications leverage goodwill, leaving a positive impression and an open invitation for the customer to stay or return. This human touch gets results: by proactively, accurately, and clearly communicating a refund's value and how to access it, whether by card, ACH, or check, a business can reduce calls and inquiries by as much as 30%.7

Refunds Optimized for Business

The refunds solution must consider the business needs and goals, such as cutting costs, reducing fraud, decreasing administrative burdens, and providing excellent customer service.

The primary source of cost reduction is issuing refunds by card instead of by check. As mentioned earlier, with all expenses factored in, the cost to issue a check is estimated between $3 and $12 per check. Using a prepaid card can eliminate that cost. The second method of cutting costs is outsourcing the management of unclaimed property, a process that varies state by state and which can be labor and resource intensive.

A significant benefit of a digital-first refund solution is its documented effectiveness in reducing fraud and addressing security implications for storing bank and credit card data. In 2016, fraudulent checks were the primary vehicle in 75% of targeted organizations.8 In fact, forging checks is still one of the simplest and most common forms of financial fraud.9 By contrast, prepaid cards have proven safer, have been recognized by federal regulators as an acceptable method for disbursing refunds, and, under new CFPB (Consumer Financial Protection Bureau) rules, enjoy protections nearly identical to those given to debit cards.

[6] Invesp: ‚Customer Acquisition Vs. Retention Costs - Statistics And Trends'. https://www.invespcro.com/blog/customer-acquisition-retention/
[7] Software Advice: `6 Tips to Shift from Reactive to Proactive Customer Service'.
https://www.softwareadvice.com/resources/6-tips-shift-reactive-proactive-customer-service/
[8] AFP/J.P. Morgan: '2017 AFP Payments Fraud and Control Survey'. 2017.
https://commercial.jpmorganchase.com/jpmpdf/1320732417358.pdf
[9] StoneBridge: 'The Most Common Types of Fraudulent Disbursements', 2005.
https://stonebridgebp.com/library/uncategorized/the-most-common-types-of-fraudulent-disbursements

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Seamless Customer Service for the Refund Recipient

In today's marketplace, customers require a level of flexibility that challenges businesses to take their customer service to another level. In refunds, this can only be achieved with a tech-first approach and a scalable, customizable engagement plan so that the business can efficiently integrate program objectives into the refund solution design, measure service levels and refine plans over time, and make customer service a priority.

Each customer service touchpoint reinforces a company's brand and influences long-term loyalty and overall spend. The cognitive bias known as 'peak-end effect' illustrates this well. The theory suggests that people perceive an experience not in its entirety but as an average of its peak moments and its end. Those peak moments, including the refund itself, are typically the contact points with customer service. That means the refund is an enormous branding opportunity, and customer service is the gateway.

Data Collection and Customer Satisfaction

At the foundation of any brand, particularly as it applies to customer service, is listening to the customer, especially when a customer is requesting a refund or expressing dissatisfaction. By listening intently within a framework for collecting feedback as data, a company forges links between its core messages and powerful core concepts such as empathy, attention, and acknowledgement.

Listening to the customer's refund request involves getting behind the return or complaint to the reason for it—not to make a counteroffer but to understand and genuinely communicate. Staff can facilitate exploration of the gap between expectation and reality and present alternative solutions including exchanges, cross-selling, upselling, and win-back. This approach is incredibly powerful: in one recent survey, 97% of consumers said they are at least somewhat likely to become more loyal to a company that implements their feedback .10 And as we know, loyalty is one of a business's most valuable resources. According to the White House Office of Consumer Affairs, loyal customers are, on average, worth up to ten times as much as their first purchase.

Even if this is the last interaction with a customer, it's important to use the refund as another opportunity to communicate your brand's image, message, and values. The refund payment will be timely (in some cases immediate), include clear messaging about the refund, and include visual branding that triggers an image of the brand and leaves behind a clear and positive impression. Importantly, the refund will keep the communication channels open and link to any win-back campaigns the company may want to implement.

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10 Apptentive/SurveyMonkey: 'Feedback & Loyalty on the Mobile Frontier'. https://go.apptentive.com/rs/170-TZF-108/images/Feedback%26LoyaltyMobileFrontier.pdf

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Value of Retention and Win-Back

In its Global CX Wakeup Call Report11 from 2016, global brand consultants SDL looked at which customers are most valuable to win back in terms of ROI. The expectation is that if a customer leaves once, they're more likely to leave again if won back. But the reality they found was quite different. Customers who left and later returned generally stayed longer than average. Those who had left because of price stayed the longest of all. The average lifetime value of second-time customers was $1,410, compared with first-time customers' $1,262.

In addition, the researchers found that different types of win-back offers have different bottom-line effects. The most economical option was a simple service upgrade, which showed a 41% win-back rate, was the least expensive to implement, and had the highest ROI. On the other hand, offering a discount plus a service upgrade earned 47% win-back, but was also the most expensive and yielded the lowest ROI. A simple discount showed a 45% win-back rate, while offers tailored to specific reasons for leaving had the second-lowest ROI—likely not worth the effort for a 47% win-back rate.

Average lifetime value
Customers are more profitable during their second lifetime than during their first one.

1st-time customer
$1,262

2nd-time customer
$1,410

6 KEY INSIGHTS IN DEVELOPING A SEAMLESS REFUND EXPERIENCE

| Evaluating the existing business process | Providing consistent delivery on service level agreements | Reducing administrative burdens | Understanding the demands of customer service inquiries | Keeping regulatory top of mind | Preserving your brand essence |

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11 SDL: 'The Global CX Wakeup Call Report ', 2016.

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The Takeaway

Of the many components of an integrated digital refund-issuing solution, there are many factors to consider in developing a seamless refund experience. Here are some of the essentials:

- Take a consultative approach. The payment issuer is an objective outside expert whose experience with many other clients affords a valuable perspective in evaluating a business's existing process. Based on the issuer's experience and the business's own expertise, the partners can determine together the appropriate levels and types of communication. This pre-refund communication is critical to driving down customer service calls and eliminating any chances for complaints due to confusion or miscommunication.
- Ensure a foundation of customer service. Any refund solution is only as effective and efficient as its customer service component, so your refunds partner should be able to integrate program objectives into the design, prioritize recipient experience, and consistently deliver on service level agreements.
- Reduce administrative burdens such as escheatment, drive operational efficiency, and improve customer service with a consumer-choice-based refunds strategy.
- Work with a payment issuer that fully understands the demands of the call center and interactive voice response (IVR) and understands the types of live inquiries that will be received.i
- Keep regulatory compliance top of mind:
  – Issuing refunds via a prepaid card with options for consumer choice of payment is recognized by regulators as an acceptable method of delivery.
  – Prepaid cards receive nearly the same protections for customers as debit cards.
  – Escheatment laws vary by state—make sure your provider is willing to own the responsibility for unclaimed property as well as for reporting and remittance.
- Look for a partner who will preserve your brand and present opportunities for win-back campaigns. Everything from the card branding to email notifications to customer service needs to have your brand essence front and center.

CONCLUSIONS

Over the past five years, Wirecard has worked closely with corporations across multiple industries, including utilities, cable and satellite television, and mobile network operators, to address the challenges associated with reimbursement for the advance payment for goods and services.

At Wirecard, we see refunds as an opportunity for the client to improve its business. To that end, implementation is critical: refunds are more than just a check in the mail. Businesses need a partner that is an expert with the technology, resources, and experience to integrate customer service, smart data gathering, refund issuance, and prepaid incentive, loyalty, and value-added solutions into a seamless and elegant system.

Benefits for businesses that select Wirecard for their refund needs include the elimination of administrative costs, transfer of responsibility of payment to Wirecard including unclaimed property, reduction of manual processes, and more.

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i   Wirecard has more than 20 years of call center expertise, a result of issuing over $54 billion on more than 170 million prepaid debit cards.

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About Wirecard

Wirecard AG is a global technology group that supports companies in accepting electronic payments from all sales channels. As a leading independent supplier, the Wirecard Group offers outsourcing and white-label solutions for electronic payments. A global platform bundles international payment acceptances and methods with supplementary fraud prevention solutions. With regard to issuing own payment instruments in the form of cards or mobile payment solutions, the Wirecard Group provides companies with an end-to-end infrastructure, including the requisite licenses for card and account products. Wirecard AG is listed on the Frankfurt Securities Exchange (TecDAX, ISIN DE0007472060, WDI). For further information about Wirecard, please visit www.wirecard.com or follow us on Twitter @wirecard.

Since March 2017, Wirecard has headquartered its recently acquired North American Prepaid Services business in suburban Philadelphia, which now serves as the regional headquarters for Wirecard AG in the Americas with businesses throughout the Americas. Over the past 20 years, Wirecard North America has delivered industry-leading innovations to optimize the payment processes and to drive paper-to-electronic adoption wherever possible. Wirecard North America is uniquely positioned to rapidly capitalize on emerging opportunities for our customers, leveraging further investment in digital capabilities while remaining equally focused on innovation and compliance. We aim to transform payments through combining our institutional knowledge with next-generation technologies in ways that improve the customer experience, promote efficiency and savings, and drive growth. Our real-time and digital solutions, newly developed integrations with mobile wallets, and API-enabled technology platform reflect our ongoing commitment to the future of payments.