

E-consumers' purchase and returns behavior: What we know, don't know and should know about the impact of returns policies on consumers' purchase and returns behavior

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Abstract: Over the past decade, online-shopping has increased dramatically. Unfortunately a large proportion of the goods purchased online are returned.

This study reviews previous research on the behavioral aspects of returns and presents new empirical results from a web-survey of 2000 consumers on the socio-demographics of returns, the influence of consumers' personality traits and values on attitudes to returns and different returns policies. The aim of the research is to find a ground for discussing how return policies might be designed to optimize the balance between sales and returns.

From a consumer perspective, purchasing online has some important advantages: it is available 24 hours a day, it reduces the search cost and it is, for most shoppers, convenient. The major disadvantage of online shopping is that consumers are unable to physically examine products before purchasing them. With less information, the uncertainties for the consumers increase and this partly drives returns of goods.

The clothing sector is the largest category of products in terms of returns. On average about 40% of all clothing items bought online, are returned. The environmental impact and cost to society and to business of handling these returns are considerable. To reduce the environmental impact and financial costs, more understanding is required about the reasons why people make returns as well as the impact of different returns policies on consumer's return behavior.

The dilemma that confronts the e-retailer sector is that a generous return policy probably generates more demand and sales but it also increases the returns and costs of handling returns. e-retailers need, therefore, to find means to reduce returns but not at the expense of online sales. Most retailers hope that the positive effect of a generous, lenient returns policy will more than offset the costs of returns. However when return rates exceed 40 percent it is challenging for even the largest retailer, with their razor thin margins, to profit from their on-line sales business.

Recent customer surveys made in U.K shows that about two-thirds of online shoppers look at returns policies before completing a purchase. About half of the shoppers claim that they would be inclined to shop more with retailers who made the return policies easier and about half (46%) of the shoppers claim to be have been deterred from making a purchase because of a return policy (IMRG, 2020). Similar results is found among Swedish online shoppers, where over two-third of them say that an easy return process is an important factor in their choice of retailers (Klarna, 2019).

In academic research, most studies conclude that lenient returns policies lead to increases in both purchases and returns (Janakirman et al., 2016; Lantz and Hjort, 2013; Petersen and Kumar, 2010; Pei, Paswan, Yan, 2014) while some claim that lenient returns policies increase purchases but not returns (Wood, 2001). Previous research thus provides inconclusive results about the effect of a lenient return policy on purchase and return behavior. The inconclusive results may depend on the intuitive but overly simplistic assumption that there is one dimensional trade-off between lenient returns policies and returns. In Janakiraman, Syrdal and Freling (2016) meta-analytic review where five different aspects of returns policy are distinguished this

assumption is challenged. Based on a review of 21 articles in total from 1983 to 2014, it is concluded that different factors that constitute a return policy may affect purchase behavior and returns differently.

The aim of the present research is to investigate consumers' attitudes to different returns policies and what influence their returns behaviour. Data will be collected in a web-based survey targeting a randomized sample of 2000 consumers' aged between 18-65 years. Results will be presented on how personality, values and socio-demographic background interact to influence consumers' attitudes to different returns policies and their returns.

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