

# Comprehensive Return Policy, A Development Direction for Return Services

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**Abstract:** Online shopping requires online consumers to make purchase decisions without actually experiencing the product, thus leading to a large number of return issues that have a negative impact on both consumers and online merchants. For the sake of the healthy development of the e-commerce industry, online merchants and e-commerce platforms are constantly implementing new, more consumer-friendly return policies to attract consumers and increase their willingness to buy. Integrated returns are a way for consumers to return goods by simply applying for a return in the background of the website, and the e-commerce platform will arrange for a courier to pick up the goods on its own initiative. Obviously what kind of impact the integrated return service will have on consumers is a direction worth studying.

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## 1. Introduction

The issue of returns has become a global concern for e-commerce platforms, with at least 30% of online shopping orders expected to be returned [2]. The reason for such a high return rate is that online consumers are not able to experience the product in person when purchasing it; they must make a purchase decision with limited information to determine whether the product is suitable, so the uncertainty of online product information is a serious impediment to consumer shopping [3]. It is because many online consumers are unsure of the suitability of a product even when they make a purchase decision that many consumers receive the product only to find that it does not meet their needs and need to request a return.

As the competition among merchants in e-commerce platforms becomes more and more intense, a more convenient and faster return policy that reduces the cost of returning goods (time, money, effort, etc.) is undoubtedly an effective marketing strategy in order to attract more consumers. For example, Jingdong has integrated Jingdong Logistics to provide comprehensive return services to consumers. This service allows consumers to return products by simply applying for returns in Jingdong's back office, and Jingdong Logistics will arrange for couriers to pick up and send the products on their own initiative, without the need for consumers to find couriers to send back the returned products. However, providing a comprehensive return service is a very complex challenge that requires careful planning by merchants and increases the burden of logistics costs for merchants [6]. Therefore, there is a need to study the practical impact of this return method on consumers to help merchants decide whether they should allocate their resources to provide this service.

## 2. Literature Review

Thaler proposed the theory of mental accounts based on prospect theory, where he considered mental accounts as a set of cognitive operations and processes that people use to organize, evaluate and track their economic activities when they perform them [7]. Based on Thaler's definition of mental accounts, an individual's mental accounts make the individual's perception of a product before performing an economic act, i.e., evaluating the benefits that he or she may

obtain and the costs that he or she needs to pay before making a decision, and how to evaluate them in order to make a purchase decision.

For merchants, developing a reasonable and effective return policy is obviously a comprehensive consideration under several perspectives, therefore, scholars have made many dimensional divisions in the study of return policies. Janakiraman and Abdulla, based on five dimensions of consumer perceptions of return policy leniency, online merchants can strategically formulate the return policy to be offered to influence consumers' perceptions and behaviors on five dimensions: return amount, return time, return effort, return scope, and return exchange. However, more research on return effort has focused on the pre-return efforts that consumers need to make in order to successfully request a return, such as saving the original packaging and labeling and filling out the application form. However, a very important issue after applying for a return, i.e., whether merchants provide consumers with a return shipping policy for returned products, has been less explored.

## 3. Hypothesis

Less restrictive return policies may reduce the cost of time and money spent by consumers in returning products and therefore are perceived by consumers as more favorable to them with lenient return policies, and consumers are more likely to purchase products that offer lenient return policies [59]. Based on the definition of transaction cost theory, online consumers incur costs specific to the transaction when searching for product information, deciding to purchase the product, and returning the purchased goods to the merchant. There is significant uncertainty in online shopping because consumers have concerns about uncertainty related to product quality and adaptability before actually experiencing the product [23]. The return policy provided by the merchant can be considered as a contractual mechanism to allocate these potential transaction costs due to uncertainty to the merchant and the consumer. If the merchant does not provide a comprehensive return service and instead leaves it up to the consumer to find a suitable courier to send back the returned product, the consumer will need to spend more time to process the return, a time cost that the consumer may need to deal with in the post hoc phase of the purchase. We therefore

hypothesize that by offering a lenient return policy, online merchants can reduce the perceived transaction costs before consumers make a purchase decision.

In summary, the following hypotheses will be formulated in this study:

H1a: A merchant's return shipping policy that offers integrated returns increases consumers' willingness to purchase compared to a return shipping policy that offers individual returns.

H1b: A merchant's return shipping policy that offers integrated returns enhances the perceived value to consumers compared to a return shipping policy that offers individual returns.

H1c: A merchant's return shipping policy that offers integrated returns can reduce the perceived transaction costs affecting consumers compared to a return shipping policy for individual returns.

H2a: Perceived value mediates between return shipping policies and consumer purchase intentions.

H2b: Perceived transaction costs mediate the relationship between return shipping policies and consumer purchase intentions.

## 4. Experiment

### 4.1. Experimental design

This experiment investigates whether perceived value and perceived transaction cost play a mediating role in the relationship between return shipping policies and consumer purchase intentions. This experiment will use a situational simulation experimental method for hypothesis testing. Consumers' perceived value will be judged by scoring a combination of the following four questions: "This merchant provides a valuable return service", "This merchant provides a return service that is beneficial to me", "This merchant provides a valuable return service" and "The merchant provided a valuable return service for the time I may have had to sacrifice". Perceived transaction costs are judged by scoring a combination of the following five questions: "I need to be more careful about choosing the right product for my needs because of the merchant's return policy," "I expect to spend a lot of time dealing with this merchant if I have to return the product to them ", "I would be annoyed if I had to request a return from this merchant", "Requesting a return from this merchant would be a hassle" and "Requesting a return from this merchant would be difficult ". Consumers' willingness to buy is judged by a combination of four questions: "I am likely to buy this product", "I would give priority to buying this product if I needed it", "I am very likely to buy this product I am very likely to buy this product" and "I would recommend this product to people around me". Each scale was measured on a seven-point Likert scale, ranging from 1 to 7, from strongly disagree to strongly agree.

### 4.2. Experimental samples

Among the 200 valid samples investigated in this formal experiment, 86 were male and 114 were female, accounting for 43.0% and 57.0% respectively, with the ratio of male to female close to a balanced state; in terms of age, the young people aged 18-34 accounted for 83.0% and became the main body of this survey, while the group aged 35-44 reached 20.0% and the group aged 45 or above reached 5.4%.

## 4.3. Experimental results

To test the hypotheses, this study first averaged the scores of the sample data for each variable and analyzed whether there were significant differences in perceived value, perceived transaction costs, and consumer purchase intentions with different return shipping policy conditions using independent samples t-test analysis.

The summary results of the direct effects test indicate that for consumer perceived value, M returns alone = 4.05, M returns combined = 5.23,  $p < 0.01$ , therefore merchants offering a return shipping policy with integrated returns will increase consumer perceived value, hypothesis H1b holds; for perceived transaction costs, M returns alone = 4.53, M returns combined = 3.19,  $p < 0.01$ , and Therefore merchants offering a return shipping policy with integrated returns will reduce consumers' perceived transaction costs, hypothesis H1c holds; for purchase intention, M individual returns = 3.31, M integrated returns = 5.74,  $p < 0.01$ , hypothesis H1a holds.

In this study, we will use Bootstrap method and use macroProcess plug-in, choose model 4, sample sampling number is set to 5000, and test the mediating effect of perceived value, perceived transaction cost in return shipping policy and purchase intention.

The results of the mediation test showed that the confidence interval of perceived value (0.5201, 1.1758) and the confidence interval of perceived transaction cost (0.2299, 0.6252) did not contain 0. Therefore, perceived value and perceived transaction cost play a mediating role in the return shipping policy and purchase intention, and hypotheses H3b and H4b hold.

## 5. Conclusion

The experimental results demonstrate that merchants who implement return shipping policies for combined returns all enhance consumers' perceived value and reduce consumers' perceived transaction costs, and that perceived value positively affects consumers' purchase intentions and perceived transaction costs negatively affect consumers' purchase intentions, so that integrated return services enhance consumers' purchase intentions through the mediating effect of perceived value and perceived transaction costs.

The results of this paper on return efforts prove that merchants or e-commerce platforms can significantly influence consumers' purchase intentions by reaching agreements with fixed courier companies or providing shipping services through their own first-party couriers, eliminating the search cost and time cost for consumers to find third-party couriers when they want to apply for returns. Therefore, in order to attract more consumers in the future, it is not an effective marketing tool for merchants to take the initiative to provide shipping services. Of course, considering the operating costs of providing shipping services with a single online merchant may be high, the implementation of this return policy or rely on the e-commerce platform to more effectively increase the profits of online stores.

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