

Review of the Research on the Impact of Online Shopping Return Policy on Consumer Behavior

Miao Wang¹ & HongJian Qu¹

¹College of fashion, Shanghai University of Engineering Science, Shanghai, China

Correspondence: HongJian Qu, Costume Institute, Shanghai University of Engineering Science, Shanghai, China.

Received: April 6, 2017

Accepted: May 25, 2017

Online Published: June 8, 2017

doi:10.5430/jbar.v6n2p15

URL: <https://doi.org/10.5430/jbar.v6n2p15>

Abstract

Based on the relevant literature, this paper study the impact of online shopping return policy on consumer purchase behavior from the dimension of return policy, consumer perception, consumer purchase behavior and so on. In the online shopping environment, the return problem between retailers and consumers is more obvious. Based on the researching achievements of predecessors, return policy can be divided into three dimensions: return cost, return time limit and efforts. Consumer psychological perception of return policy is based on the traditional consumer perception, which can be summarized into three aspects: perceived risk, perceived quality and perceived fairness. In the online shopping environment, the consumer purchase behavior is still a specific research and in-depth discussion. The return policy, as the key information between the two decision points, is of great importance to consumers' purchase and return behaviors.

Keywords: Online shopping, Return policy, Perceived risk, Perceived quality, Perceived fairness, Consumer purchasing behavior

1. Introduction

In recent years, the rapid development of the Internet, mobile phones, tablet computers and other electronic devices has changed the way people shop. Online shopping has become the main stream of people's consumption. Online shopping has changed the traditional way of shopping, brought us great convenience, but there have been some noteworthy issues. According to relevant media reports, in November 11, 2015, even though the day trading volume of up to 91 billion, there are 63% return rate. Different from the traditional shopping, consumers cannot understand the characteristics of the product directly in the network environment, and it is easy to misunderstand the graphic description of the item. Consequently, the return rate increased.

The problem of online shopping return is becoming more and more obvious, which has become an important factor in consumer shopping experience and business management. Those problems are uncommon in the traditional shopping model, which need to improve in the consumer behavior theoretic-which has become the focus of research scholars. Based on the relevant literature, this paper studies the impact of online shopping return policy on consumer purchase behavior from the dimension of return policy, consumer perception, and consumer purchase behavior.

2. Dimension of Return Policy

As the main strategy in the field of logistics and supply chain management, the return policy is the competitive means for the manufacturer to manage the retailer effectively. The traditional return problem can be classified into two categories: one is the return problem between the retailer and the supplier, and the other is the return problem between the retailer and the consumer. The earliest research on return policy is based on the traditional purchasing environment, Fornell and Wernerfelt (1987) believe that liberal return policy can improve customer loyalty and positive word-of-mouth. Therefore, enterprise should regard the return policy as a part of the complaint management strategy, so as to enhance the competitiveness of enterprises.

In the online shopping environment, the return problem between retailers and consumers is more obvious. Based on the researching achievements of predecessors, return policy can be divided into three dimensions: return cost, return time limit and efforts. Return cost are reflected in two aspects: Refund of commodity and the expenses of return. Chu and Gerstner (1998) analysis three refund policies: no questions asked, no refunds, and verifiable problems only, and show that 'no questions asked' as the most efficient way to handle consumer opportunism. Under

the policy “Return of Goods without Reasons”, the merchant's refund policy includes a full refund and partial refund (Che, 1996; Su, 2009). Coverage and durations of different policies vary significantly across e-retailers (Posselt, Gerstner, Radic, 2008). There study taking into account e-stocking, shipping and handling fees, and coverage duration. According to the Value-Determination theory of marketing, the market price of the commodity has a certain time, so the ‘return time limit’ is also a limiting factor in the return policy. As for the efforts, Davis (1998) firstly postulates the concept of “Hassle”. Enterprises can adjust the level of “Hassle”, affecting consumers return behavior (Su, 2009). Davis believed that the amount of time, effort, and extra expense are part of the effort of return (1998).

3. Consumer Perception

Consumer behavior is caused by external stimuli, resulting in a certain motivation or attitude. External stimuli affect the internal perception of consumers, and thus affect consumer behavior (He Aizhong, & Li Xifeng, 2016). The internal perception of consumers can be considered from many aspects. Based on the relevant literature, this paper will analyze the influence of return policy on consumer's psychological perception from three aspects of perceived risk, perceived quality and perceived fairness.

3.1 Return Policy and Perceived Risk

Bauer (1960) of Harvard University first introduce the concept of ‘risk’ into the field of marketing. He explained the influence of subjective factors on consumer purchase behavior from a psychological point of view. Due to the uncertainty of consumption, consumers bear the unknown risks. Many scholars have supplemented the concept of perceived risk on the basis of Bauer. The perceived risk theory of consumer behavior mainly regards consumer behavior as a kind of risk-taking behavior, since the consumer cannot determine the results of the purchase after the purchase, so in fact consumers bear a certain risk.

Jacoby and Kaplan (1972) first studied the composition of perceived risk, and concludes that perceived risk includes five elements: economic, functional, physical, psychological and social risk. Based on that, Perer & Tarpey (1975) proposed time risk. Stone & Gronhaug (1993) summarizes the relevant research results, and divided perceived risk into six dimensions: performance, physical, economic, psychological, social, and time. The related research on the components of perceived risk is more comprehensive. In the different context of a purchase, the degree of consumer perceived risk may be different, and the composition of perceived risk may change.

Jarvenpaa & Todd (1997) proposed the ‘privacy risk’ as a dimension of perceived risk of online shopping, explained the consumer perceived risk from five dimensions: time, function, social, self, privacy. Sandra (2003) believes that economic, performance, privacy, time/ convenience risk is the most concerned issue for consumers in online shopping.

In online shopping environment, consumers' perceived risk is usually higher than that of physical store. In the network environment, consumers can only recognize goods by the merchant's graphic description, but may not directly distinguish the quality and performance. At the same time, the authenticity of the information provided by the business cannot be guaranteed, making the uncertainty of network consumers to increase, and these will enhance consumer's perceived risk. Pappas (2016) summarizes perceived risk for three reasons: First, consumers cannot check the goods before the receipt of goods, so may worry that the goods cannot meet their needs; Second, consumers worry about online shopping services; Third, consumers worry about personal safety in online shopping.

In order to eliminate the concerns of consumers to promote the consumption of goods, some sellers offer “Return of goods without reasons” policy. Related legal regards “Return of goods without reasons” as the basic right of consumers, in order to alleviate the unfair information in the online shopping environment between the merchants and consumers. With the proposition of this policy, many problems are alleviated than it used to be. Some scholars have studied the impact of return policy on consumer online shopping behavior based on perceived risk.

In his study, Davis (1998) observed that the relationship between return policy and sales volume, and points out that the loose-return policy can increase the sales volume. Based on general management, loose return policy will reduce consumer perceived effort level, return operation is more convenient, and consumers are more prone to return behavior.

Poel and Leunis (1999) confirm that the return policy can reduce consumer perceived economic and product risk in the shopping process. If consumers are not satisfied with the product, consumers can easily return based on a loose return policy, to some extent, loose return policy can reduce consumer concerns before shopping.

The return policy can reduce the perceived risk of consumers and reduce the possibility of false purchase. However, the additional costs that may arise during the return process, the time and effort required are all related to perceived

risk. Understanding the specific relationship between the return policy and consumer perceived risk is helpful for the enterprise to adjust the return policy, reduce the perceived risk of consumers, and promote the purchase of consumer network.

3.2 Return Policy and Perceived Quality

Perceived quality is an abstract subjective evaluation of goods or services by consumers, Perceived quality is based on the analysis of all kinds of relevant information in the market. Steenkamp (1990) believes that the perceived quality of products is a kind of personal value judgment. For personal or environmental requirements, consumers make judgments about the quality of a product after analysis, through relevant hints such as product description, packaging and advertising.

Perceived quality is measured through product reliability, security, ease of use, information accuracy, website design and content. Tan, Lee,& Guan (2001) choose the content and accuracy of web content as the measurement dimensions of perceived website quality. And other scholars use website design and responsiveness to measure dimensions of perceived website quality.

The research on 'perceived quality' mainly focuses on the perceived quality of shopping website. In the actual online shopping environment, perceived quality includes two aspects: perceived good quality and perceived service quality. According to the utility economic theory, consumers will pursue the maximum utility and satisfaction under the condition of limited resources. Improve perceived quality of goods can help consumers make a more satisfactory choice in the shopping process. High perceived quality of service is conducive to improved customer evaluation of the product, which will improve the customer's intention to purchase the product, also could reduce the possibility of consumers to buy back the product to a certain extent.

Some scholars have studied the impact of return policy on consumer perceived quality. The research shows that the lenient return policy, as the signal feature of commodity quality, positively influences the quality of goods before and after the purchase (Wood, 2001) . Quality perceptions were higher in lenient conditions than in restricted conditions even after physical examination of the product by the consumer. At the same time, a lenient return policy will reduce the consumer's decision-making time at the time of purchase.

It can be seen that the perceived service quality is the main influencing factor in the impact on consumers' perceived quality. When consumer perceives high quality of service, perceived product quality will improve at the same time. In order to improve the quality of consumer perception, delivery of high quality goods and service signals, enterprises can provide a positive return policy, timely response to consumer demand on returns.

3.3 Return Policy and Perceived Fairness

Perceived fairness is a reasonable evaluation of the price or service of the merchant(Adams, 1966). Perceived justice is a kind of psychological feeling that consumers are treated fairly in trading activities. Lind and Tyler (1988) believe that fairness allows people to maximize self-interest in transactions. One of the important premise of consumer's behavior response is perceived-fairness (Vaidyanathan & Aggarwal, 2003; Bolton &Alba, 2006).

Perceived justice includes four dimensions: information equity, procedural justice, interactional justice and result justice. Clemmer (1993) and other scholars proved that these four dimensions are also applicable to consumer returns circumstances. Information fairness mainly refers to whether the merchant conveys the proper information to the consumer (Bahn K D & Boyd E, 2014). Teo & Lim (2001) shows that perceived justice can significantly affect consumers' repurchase intention through empirical study. Kim et al (2009) argue that perceived equity affects consumer behavior through mediating variables.

Due to the properties of online shopping environment, there is a lot of information asymmetry between businesses and consumers. Consumers are Inferiority in this shopping environment. For consumers, the return policy reduces the unfairness caused by asymmetric information to a certain extent. Meanwhile, a reasonable return policy, a positive return attitude, are helpful to consumer awareness of procedural justice, interactive justice and fair results. Pei (2014) confirms that the effort in the return process, the return limit, and the proportion of refunds all affect consumer perceptions of procedural justice and perceived result justice.

4. Return Policy and Purchase Behavior

In this paper, we consider the return policy as an external stimulus and analyze its impact on consumer perceptions. Then we compare the consumer purchase decision model and discuss its effects on consumer's purchase intention.

4.1 Purchase Behavior Model

The research on the theory of consumer purchasing behavior is relatively mature, many experts and scholars put forward some typical models of consumer purchase decision.

Table 1. Consumer purchase behavior model

Name	The main work	consumer purchase behavior model
Engel(1969)	Consumer purchase behavior includes five aspects: stimulation or input factors, external factors, information processing evaluation, purchase decisions, purchase results, the key point is Purchase decision.	“Engel-Kollat-Blackwell” model
Nicosia(1968)	Consumer purchasing behavior is the behavior by individuals and families units, rather than resale of goods by the manufacturer and distributors of the reseller.	Nicosia model
Howard Sheth(1969)	Consumers need to compare and analysis product from all aspects of the purchase, in order to achieve maximum utility. Consumer behavior is not only decision-making behavior, but also the whole process of purchasing behavior.	Howard Sheth model
Mehrabian, Russell(1974)	The SOR model is proposed based on environmental psychology, which indicates that the consumer's purchasing behavior is caused by external factors, psychological and behavioral responses after individual treatment.	Stimulus-Organism-Response model
Philip Kotler(2000)	Consumer behavior is a process of consumer to find, select, purchase, use, evaluation and disposal of products and services in order to meet the needs, including subjective psychological activity and objective activity two aspects .	Kotler behavior choice model

4.2 The Impact of Return Policy on Consumer Purchase

Under the traditional purchasing environment, once the consumer makes a purchase decision, the basic purchase behavior is over. Some post purchase perceptions can be used as an experience towards the next purchase. The above models all focus on the consumer purchase decision. In the traditional purchasing environment, possibility of return after the purchase may be smaller, so there is no specific research on the purchase decision and return behavior. Online purchase environments differ from traditional purchases in that the purchase decision is more likely to be framed as two separate decisions: consumers' decisions to order and, upon receipt, their decisions to keep or return the item. These two decisions are separated by a period of time and crucial experiential information often is available only at the second decision point. (Wood, 2001; Su, 2009). Therefore, in the online shopping environment, the consumer purchase behavior involves a specific research and in-depth discussion. The return policy, is the key difference between the traditional and the online consumer perceived behavior and is of great importance to consumers' purchase behavior and return behavior.

At present, many scholars study consumer online shopping behavior based on SOR (Stimulus-Organism-Response) model, combined with signal theory, equity theory, perceived risk theory and so on. Return policy leniency is one way to minimize the inherent consumer risk, but retailers may avoid instituting overtly lenient policies because they expect increased return rates (Wood, 2001). At the same time, lenient return policy reduces the cost of consumers to change the inadvisable decision of failure, reduce consumer perceived risk (Constantinides, 2004; Mukhopadhyay & Setaputra, 2007). Return policies allow consumers to defer their purchasing decisions until after they gain some

experience with goods. In so doing, they insure consumers against ex-post loss, which allows a monopoly seller to charge more than otherwise. It is shown that the seller adopts the return policy when consumers are highly risk averse or retail costs are high (Che, 1996). Some scholars suggest that retailers can simulate the consumer purchase and return by establishing the mathematical model of probability distribution of consumer purchase and return (Mukhopadhyay & Setaputra, 2007).

5. Summary

Some new features of consumer behavior in online shopping environment such as opportunistic behavior, impulse consumption need to attract our attention. As the protection of consumers' basic rights and interests in online shopping environment, return policy and its impact on consumers cannot be ignored. This paper summarizes the current research situation of the impact of online shopping return policy on consumer purchase behavior. discusses the consumer psychology perception related to the return policy, and the related content of consumer behavior decision-making model. The main points are summarized as follows: 1. based on the existing research, the return policy can be summarized from the return time, return costs, return operations. The three dimensions, can be used to measure the return policy leniency. 2. Consumer psychological perception of return policy is based on the traditional consumer perception, which can be summarized into three aspects: perceived risk, perceived quality and perceived fairness. 3. Combined with the characteristics of online shopping, the perceived risk associated with return policy includes two aspects: perceived economy risk and perceived convenience risk. Perceived quality includes perceived service quality and perceived product quality. Perceived justice includes four dimensions: information justice, procedural justice, interactional justice and result justice. 4. The original theory of consumer purchase decision model is relatively mature, research on consumer online shopping behavior can be developed based on the original model.

6. Research Prospect

Although the research on network return policy dimensions were discussed, and based on the return time and return cost on consumer purchase behavior, few studies neither consider the return policy as a whole, nor compare the influence of each dimension on consumer purchase intention.

The research based on the consumer's psychological perception mainly focuses on the perceived risk, the research structure is single, and the consumer psychological perception is not carefully divided. There are few studies on perceived risk, perceived justice, perceived quality and other factors simultaneously.

Few scholars pay attention to the change of consumer decision making in online shopping environment. Future research can focus on the analysis of the similarities and differences between the two consumer decision-making models, as well as factors that have an impact on these two decisions, in order to improve Consumer Purchasing Behavior theory, and provide more accurate reference for enterprises to adjust the network management strategy.

Acknowledgements

This study was supported by graduate innovation fund of shanghai university of engineering science, the funded project is No.E3-0903-17-01288 "The impact of return restrictions on clothing consumers' purchase decisions".

References

- Adams, J. S. (1966). Inequity In Social Exchange. *Advances in Experimental Social Psychology*, 2(C), 267–299. [https://doi.org/10.1016/S0065-2601\(08\)60108-2](https://doi.org/10.1016/S0065-2601(08)60108-2)
- Ali Co denied the report of 63% return rate. (2015). <http://www.100ec.cn/detail--6292793.html>
- Bahn, K. D., & Boyd, E. (2014). Information and its impact on consumers' reactions to restrictive return policies. *Journal of Retailing and Consumer Services*, 21(4), 415–423. <https://doi.org/10.1016/j.jretconser.2014.03.002>
- Bauer, R. A. (1960). Consumer behavior as risk taking. *In Risk Taking and Information Handling in Consumer Behavior*(pp. 389–398).
- Bolton, L. E., & Alba, J. W. (2006). Price Fairness: Good and Service Differences and the Role of Vendor Costs. *Journal of Consumer Research*, 33(2), 258–265. <https://doi.org/10.1086/506306>
- Che, Y. (1996). Customer Return Policies for Experience Goods. *The Journal of Industrial Economics*, 44(1), 17–24. <https://doi.org/10.2307/2950557>
- Chu, W., Gerstner, E., & Hess, J. D. (1998). Managing Dissatisfaction: How to Decrease Customer Opportunism by Partial Refunds. *Journal of Service Research*, 1(2), 140–155. <https://doi.org/10.1177/109467059800100204>

- Clemmer E C. (1993). An Investigation into the Relationship of Fairness and Customer Satisfaction with Service (Eds.), *Justice in the Workplace: Approaching Fairness in Human Resource Management*, Hillsdale, NJ: Lawrence Erlbaum Associates, 193-207.
- Constantinides, E. (2004). Influencing the online consumer's behavior: the web experience. *Internet Research*, 14(2), 111-126. <https://doi.org/10.1108/10662240410530835>
- Davis, S., Hagerty, M., & Gerstner, E. (1998). Return policies and the optimal level of "hassle". *Journal of Economics & Business*, 50(5), 445-460. [https://doi.org/10.1016/S0148-6195\(98\)00013-7](https://doi.org/10.1016/S0148-6195(98)00013-7)
- Engel, J. F., Kollat, D. T., & Blackwell, R. D. (1969). Personality measures and market segmentation : evidence favors interaction view. *Business Horizons*, 12(3), 61-70. [https://doi.org/10.1016/0007-6813\(69\)90009-3](https://doi.org/10.1016/0007-6813(69)90009-3)
- Fornell, C., & Wernerfelt, B. (1987). Defensive marketing strategy by customer complaint management: a theoretical analysis. *Journal of Marketing Research*, 24(4), 337-346. <https://doi.org/10.2307/3151381>
- Forsythe, S. M., & Shi, B. (2003). Consumer patronage and risk perceptions in Internet shopping. *Journal of Business Research*, 56(11), 867-875. [https://doi.org/10.1016/S0148-2963\(01\)00273-9](https://doi.org/10.1016/S0148-2963(01)00273-9)
- He Aizhong, & Li Xifeng. (2016) Study on the influence of green product category of retail store on patronage intention. *Business Economics and Management*, (2), 5-17. <https://doi.org/10.14134/j.cnki.cn33-1336/f.2016.02.001>
- Howard, J. A., & Sheth, J. N. (1969). The theory of buyer behavior. *Journal of the American Statistical Association*. <https://doi.org/10.2307/2284311>
- Jacoby, J., & Kaplan, L. B. (1972). *The Components of Perceived Risk*. Sv, (January 1972), 382-393.
- Jarvenpaa, S. L., & Todd, P. A. (1997). Consumer reactions to electronic shopping on the world wide web. *International Journal of Electronic Commerce*, 1(2), 59-88. <https://doi.org/10.1080/10864415.1996.11518283>
- Kim, T. [T. G. T., Woogon, K., & Hongbumm, K. (2009). The effects of perceived justice on recovery satisfaction, trust, word-of-mouth, and revisit intention in upscale hotels. *Tourism Management*, 30(1), 51-62. <https://doi.org/10.1016/j.tourman.2008.04.003>
- Kotler, P. (1973). *Marketing management: analysis, planning, implementation, and control*. Prentice-Hall.
- Lind, E. A., & Tyler, T. R. (1988). *The Social Psychology of Procedural Justice*. Springer US. <https://doi.org/10.1007/978-1-4899-2115-4>
- Mehrabian, A. (1974). *An approach to environmental psychology* (p. 266). Cambridge: M.I.T. Press.
- Mukhopadhyay, S. K., & Setaputra, R. (2007). A dynamic model for optimal design quality and return policies. *European Journal of Operational Research*, 180(3), 1144-1154. <https://doi.org/10.1016/j.ejor.2006.05.016>
- Pappas, N. (2016). Marketing strategies, perceived risks, and consumer trust in online buying behaviour. *Journal of Retailing and Consumer Services*, 29, 92-103. <https://doi.org/10.1016/j.jretconser.2015.11.007>
- Pei, Z., Paswan, A., & Yan, R. (2014). E-tailer's return policy, consumer's perception of return policy fairness and purchase intention. *Journal of Retailing and Consumer Services*, 21(3), 249-257. <https://doi.org/10.1016/j.jretconser.2014.01.004>
- Poel, D. V. D., & Leunis, J. (1999). Consumer acceptance of the internet as a channel of distribution. *Journal of Business Research*, 45(3), 249-256. [https://doi.org/10.1016/S0148-2963\(97\)00236-1](https://doi.org/10.1016/S0148-2963(97)00236-1)
- Posselt, T., Gerstner, E., & Radic, D. (2008). Rating E-Tailers' Money-Back Guarantees. *Journal of Service Research*, 10(3), 207-219. <https://doi.org/10.1177/1094670507306684>
- Steenkamp, J.-B. E. M. (1990). Conceptual model of the quality perception process. *Journal of Business Research*, 21(4), 309-333. [https://doi.org/10.1016/0148-2963\(90\)90019-A](https://doi.org/10.1016/0148-2963(90)90019-A)
- Stone, R. N., & Grønhaug, K. (1993). Perceived Risk: Further Considerations for the Marketing Discipline. *European Journal of Marketing*, 27(3), 39-50. <https://doi.org/10.1108/03090569310026637>
- Su, X. (2009). Consumer returns policies and supply chain performance. *Social Science Electronic Publishing*, 11(4), 595-612. <https://doi.org/10.2139/ssrn.1020451>
- Tan, S. J., Lee, K. S., & Lim, G. H. (2001). Warranty and Warrantor Reputations as Signals of Hybrid Product Quality. *European Journal of Marketing*, 35(1/2), 110-132. <https://doi.org/10.1108/03090560110363373>

- Teo Thompson, S. H., & Lim Vivien, K. G. (2001). The effects of perceived justice on satisfaction and behavioral intentions: the case of computer purchase. *International Journal of Retail & Distribution Management*, 29(2), 109–125. <https://doi.org/10.1108/09590550110382039>
- Vaidyanathan, R., & Aggarwal, P. (2003, June 1). Who is the fairest of them all? An attributional approach to price fairness perceptions. *Journal of Business Research*. [https://doi.org/10.1016/S0148-2963\(01\)00231-4](https://doi.org/10.1016/S0148-2963(01)00231-4)
- Wood, S. L. (2001). Remote Purchase Environments: The Influence of Return Policy Leniency on Two-Stage Decision Processes. *Journal of Marketing Research*, 38(2), 157–169. <https://doi.org/10.1509/jmkr.38.2.157.18847>