


Examining the Antecedents of Return Policy Leniency in eCommerce

E. Mitchell Church, Coastal Carolina University, USA

Richelle Oakley DaSouza, North Carolina A&T State University, USA*

 <https://orcid.org/0000-0003-4294-6286>

Olajumoke A. Awe, Coastal Carolina University, USA

ABSTRACT

As eCommerce has become widespread, the challenge of successfully navigating the returns process has grown perilous. The product returns issue is even more difficult for microenterprises that sell unique or custom products with fewer resources. The authors examined the impact of the antecedents of return policy leniency, specifically economic and social success factors. Using a web crawler over a 24-week period, the authors collected and analyzed data for a sample of 781 shops from Etsy, an eCommerce platform. Results indicate that the well-studied factor of sales, in addition to a new social factor – community dialogue – impacts an Etsy shop’s return policy leniency.

KEYWORDS

community dialogue, custom products, Etsy, handmade products, financial success, microenterprise, social success

INTRODUCTION

Developing a competent and effective way to manage product returns is an ongoing challenge for many organizations. Companies are interested in finding new ways to craft return policies that improve their salvage capabilities and reduce the number of returns, while also increasing customer satisfaction through innovative ‘try-then-buy’ strategies (Nageswaran et al., 2020; Rokonzaman et al., 2021). Researchers have focused much of their efforts on understanding how return policies impact consumer purchasing and return behavior (Janakiraman et al., 2016), consumer trust (Oghazi et al., 2018), consumer perception of return policy fairness (Pei et al., 2014), and customer satisfaction (Radhi & Zhang, 2019). Other studies have focused on how lenient return policies impact firm economic factors, such as profit (Chaleshtari et al., 2022) or sales (Radhi & Zhang, 2019). Thus, there is a significant opportunity to examine factors that influence return policy leniency which have yet to be examined. We can broaden our understanding of return policy leniency through identifying and examining factors that influence it.

The bulk of returns literature considers the returns process as primarily an economic endeavor, yet it can include a social aspect. Robertson et al. (2020) suggest future research that focuses on

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*Corresponding Author

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returns as part of the “customer journey” and hint at the social aspect of the returns process where the customer “later tells friends or posts [a review]” (2020, p. 173) of a product. Existing studies are ill-suited to address the significant impact that social interactions, engagement, and discussions may have on the development and enforcement of return policies. This is especially true on most eCommerce platforms where social metrics such as customer reviews, reputation, shares, and likes have become as vitally important as traditional economic metrics of success (Ding et al., 2017; Tafesse & Wien, 2018). The purpose of this study is to overcome these limitations in our understanding of how social and economic factors impact the leniency of return policies for microenterprises.

To this end, we constructed a unique data set that contains information on the return policies of several hundred microenterprises that operate on an eCommerce platform. Through empirical analysis of the data, this study identifies both economic and social characteristics of microenterprises that are most likely to impact return policy leniency. Specifically, we seek to answer the following research question: *How do economic and social factors impact return leniency for handmade and customized products?* This study offers numerous interesting contributions to extant theory on product returns in eCommerce settings.

The remainder of the paper is organized as follows. First, we discuss relevant literature on return leniency and the factors that impact return leniency. Next, we review extant literature and present a theoretical model that relates both economic and social aspects of platform success to return leniency. Our data collection and analysis are then discussed, along with results and implications for both theory and practice.

LITERATURE REVIEW

In this section, we review the current literature on return leniency and its antecedents, as well as highlight the research gaps that our study aims to fill.

Return Leniency

Extant research has primarily examined return policies as a combination of factors, such as “refund level, feasible time for return, original packaging requirements, and mailing options” (Chaleshtari et al., 2022, p. 2). However, more recent research has identified return leniency as a salient aspect of return policy management. Bower and Maxham (2012) found that customers paying for their own product returns (strict) will universally decrease their repurchases and those receiving free returns (lenient) will universally increase their repurchases. Lantz and Hjortz (2013) found that lenient return policies were associated with increased order frequency and probability of return and a decrease in average value of orders and average value of purchased items. Janakiraman et al. (2016) conducted a meta-analysis on return leniency and found that return leniency increases purchases at a greater rate when compared to the increases in returns. The findings of Shirzadeh and Elahi (2022) further supports the findings of all of these studies as it examined return leniency, as a combination of cost of return and return efficiency, and found that higher return leniency can result in higher return frequency.

In difficult and complex purchase situations, such as with handmade or custom products, companies with lenient return policies also benefit with greater sales. Esenduran et al. (2022) concluded that allowing returns of customized products, when non-customized products are also sold, can increase profits and reduce total returns. However, their study does not examine the nuances of return policies, simply whether to keep or return the product. We delve more into the understanding of return policies by examining the ways that companies alter the leniency of their return policies by various factors such as accepting exchanges, the length of time to return, and the length of time to contact the seller directly.

Furthermore, existing research primarily examines return leniency as an independent variable, assessing its impact on consumer purchase behavior and return behavior, and seller profit (Chaleshtari et al., 2022; Janakiraman et al., 2016; Pei et al., 2014). For example, research has shown that lenient

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