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A Study Of The Impact Of Goods Return Policies On Online Product Purchasing Behaviour.

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ABSTRACT

The growing number of internet customers poses a threat to traditional marketing tactics. To take advantage of the internet, businesses need to modify their marketing plans. Salespeople no longer need to deliver information because buyers can now obtain a wealth of information online. Because of its convenience and wide reach, online shopping, a subset of e-commerce, is preferred by both consumers and companies. Professionals and academics were more interested in the Internet as its popularity grew. Customers place a high value on product variety, pricing, discounts, and ease of purchasing. The internet has made shopping more convenient. To save time and money, choose online shopping. Online shopping is convenient since it offers free shipping, discounts, easy navigation, and customer reviews. In online transactions, behavior is very important. The benefits of purchasing in-store, online, through a catalog, or by mail order are the main factors that influence customers' choice of retail channel. Because of their increased expertise and lower operating costs, several online retailers have lowered their prices or improved their products. Internet-savvy consumers do better online.

Keywords: Online shopping, e-commerce, Internet savvy, operational expenses

Introduction

The world wide web (www) and the internet have altered the manner that commerce has always been conducted. This puts the conventional marketing strategy in jeopardy. Businesses must adapt their marketing strategies to accommodate new internet marketing platforms as more and more people shop online. With so much information available online, buyers no longer require a salesperson's assistance to learn about a product. Due to its convenience and increased product selection, online shopping, a subset of e-commerce, has grown in popularity among consumers and retailers alike. The growing popularity of internet purchasing has piqued the interest of researchers and practitioners alike as a shopping tool. In addition to the social and experiential components of shopping, people place a high value on pricing, discounts, product range, and simplicity of use. According to Dennis, Harris, and Sandhu (2002), internet businesses are crucial because they provide a large selection of products in various sizes and shapes, competitive pricing, and user-friendliness. Electronic shopping, according to Alba et al. (1997), is a more contemporary method of making purchases from the comfort of one's own home that has more advantages than non-store and retail channels. Because they realize they have more options and can obtain more information to aid in their decision-making, people prefer to shop online.

Shopping is one of the numerous ways that the internet has simplified life. Online shopping is more common among people who value their time and money. Free shipping, discounts, user-friendly navigation, and customer reviews are just a few of the reasons why online buying is convenient. The most important factors when it comes to online shopping are the characteristics of the customer. Every alternative has advantages and disadvantages that influence the consumer's choice, whether they choose to shop in-store, place an order via mail order or catalog, watch TV, or shop online. Many internet retailers have reduced their prices or raised the caliber of their products due to easier access to information and minimal operating expenses. Online shoppers who are more successful tend to have more education and know how to use the internet well.

Literature review

Because they can't see or speak to anyone, there isn't enough staff, and other factors, customers could be hesitant about their online transactions. Online shoppers should exercise caution because there's a considerable risk the items they acquire won't satisfy their demands. As a result, businesses are developing increasingly complex methods for product returns (Yalabik, Petruzzi & Chhajed, 2005). One of the most crucial aspects of any store, whether it is online or offline, is the return policy. Simple return policies draw customers, which eventually increases revenue (Coolwijk, 2014). According to Griffis, Rao, Thomas, Goldsby, and Niranjan (2012), internet retailers do not face competition from one another. Rather, they face competition from physical retailers who have greater return experience. Their research indicates that a good returns policy has efficient gatekeeping that can distinguish between legitimate and fraudulent returns, in addition to being simple to use. According to Constantinides' 2004 study, return policies are a psychological factor that is crucial to establishing consumer trust. It has been demonstrated that online portals appear more reliable when merchants provide explicit return policies and compensation in the event that a consumer is dissatisfied. The return policy serves as a guarantee and, to some extent, reduces the risk because online shoppers are unable to view or touch the product before making a purchase (Griffis et al., 2012). According to Bonifield, Cole, and Schultz (2010), different online retailers employ return policies to convey different messages about quality. People should learn how to return the items they are considering purchasing before making a purchase.

According to IJeng (2017), e-retailers should have a flexible return policy because their products cannot be physically inspected before being sold. Additionally, it was emphasized that the cost of returning goods to online retailers should be kept to a minimum. According to Yalabik, Petruzzi, and Chhajed (2005), there are a number of reasons why products are returned, including not fulfilling the customer's expectations or their needs evolving. E-tailers utilize return policies as a signal to differentiate themselves from low-quality e-tailers, according to Bonifield, Cole, and Schultz (2010) in their study on quality. In their work on quality, Bonifield, Cole, and Schultz (2010) also made this claim. By employing this kind of signaling, online retailers can differentiate themselves from other online retailers. Giving customers options like exchange, refund, or store credit and imposing minimal limits on the return process increases the likelihood that they will return a product. According to Bower and Maxham III (2012), making it more difficult for consumers to obtain their money back is ineffective and should be done to generate revenue instead. Easy returns after purchase are appreciated by customers. For instance, if consumers return a sale item, they want to know if they will receive store credit or a refund, how long they have to return it, and whether it is a problematic return (Wood, 2001).

Davis, Hagerty, and Gerstner discussed this in their 1998 paper. Customers have the option to return products they are unsure of after trying them for the first time. They claimed that different sellers have varying return procedures. While some have fairly flexible return policies, others have quite rigid ones. A store will make it simple for customers to return things if they don't expire rapidly, they may be sold simultaneously, and the returned item is well worth the money. When there are distinct guidelines for every product, the return policy can be managed more effectively. For products with high moral hazard, for instance, a severe return policy may be preferable to a less stringent one. The writers divided their return policy into five categories: whether a receipt is needed, whether the original packing or box is needed, whether there are any obvious signs of wear or usage, whether time constraints are mentioned, and whether a shop exchange or cash refund is necessary. This is what occurs: The same thing is being done by good e-sellers when they make it more difficult to return consumables (such as food, flowers, and software) than non-consumables. Conversely, low-quality e-vendors provide more accommodating return policies for consumable items. This could be because their primary objective is to acquire new clients rather than retain their current clientele (a process known as "separating equilibrium" in economics). There aren't many options for returning used goods to avoid hurting internet retailers. According to Wood (2001), it's critical to establish clear guidelines about what can and cannot be returned as well as the cost of shipping and handling.

Yalabik, Petruzzi, and Chhajed (2005) proposed three factors that influence consumers' desire to repurchase a product. First, there is a refund policy that gives customers peace of mind when they purchase the product. If the customer is unhappy with the goods, they can return it. A return policy reduces the product's risk and increases consumer interest. The logistics procedure is discussed as the second topic. In order to enhance the company's total return system, retailers must ensure that their marketing and logistical efforts complement one another. Customers will spend more money than they intended to in the wrong locations if they don't. The third and final part was the marketing initiative, which was about how to promote the product well and make people less afraid to buy it.

A money-back guarantee and a demonstration, which demonstrate how they can be utilized separately, in combination, or not at all, are the two risk-reduction strategies developed by Heiman, McWilliams, and Zilberman (2001). Stores employ these two items to give customers a sense of security. Customers who are unsure about a product, want to know what other people think, or make an impulse purchase benefit from money-back guarantees, or MBGs. These are typically provided by retailers when it is doubtful that a product would be returned or when doing so would be inexpensive. Customers are more inclined to purchase the product if they believe it to be good. It is best to demonstrate how something works when returning it costs a lot of money. Before a customer purchases a product, make sure they are as informed as possible about it. Additionally, it can be applied when a new product is released or when a business or store has a poor reputation

in the marketplace. When combined, MBGs and demonstration can reduce the risk of a prior purchase. Because producers showcase their products, retailers sell more MBGs. However, the business must assist the stores. Finally, they group return policy limits according to the length of time it takes to return a product, the cost of doing so, and the type of policy (exchange, refund, or replacement) (original packing, etc.). According to Su (2009), the pricing, quantity, and return policies of the product are set by the sellers. After purchasing the product, customers can learn more about the return policy. Manufacturers can occasionally arrange buy-back agreements in which they will return the goods for less than what they would have paid for them at the time of sale. The buy-back agreements between manufacturers and merchants reduce the store's risk.

Manufacturers and retailers handle product returns in various ways. That is the word used by those who write about consumer product returns and explain the penalties and due dates in their work. Because handling returned items is expensive and they have less value than used goods, the company seeks to limit the amount of returns. This is the cause. Businesses frequently pay a significant fee to have their products returned. Companies therefore tightened their return policies in an effort to limit the number of returned items. For instance, they increased the cost of returning items and shortened the time it required to do so. According to the study, the return policy needs to be stricter, so they want to change it. Kim and Wansink's (2012) study on the relationship between return policies and how people act as customers is also very important. They say that strict return policies might have a better effect on how customers act after they buy something than less strict ones. Also, a limited return policy lets customers try out the product before sending it back. Retailers like it when customers don't send back things they don't need. But in reality, stores make it easy for customers to return items, which leads to a lot of returns that don't need to be made. Jeng (2017) thinks that smaller stores with less name recognition should have more flexible return policies based on the product. This means that a product that takes a lot of work needs a more flexible return policy than a product that doesn't take much work. Even if a well-known store has a good return policy, that might not make people want to shop there more. This is different from what Bonifield, Cole, and Schultz's (2010) study found, which said that e-tailers don't need to change all of their return policies, but they do need to change some of them, like not charging a fee and giving people less time to return things. In the past, people talked about different parts of the return policy, but they didn't always agree on what those parts were. Janakiraman, Syrdal, and Freling's (2016) new study was better than the previous one. Time leniency: Some of the types of leniency they look at are: 30–60 days, partial or full return policy, money leniency (partial or full return policy), effort leniency (forms or no forms required), scope leniency (what items can be returned), and exchange leniency (cash or credit).

Su (2009) looked into how customers feel about returning things and found that a high refund makes people more willing to pay, so sellers can charge more. In this study, returns were divided into two groups: partial returns and full returns. Full refunds don't help the supply chain, but partial refunds are best. People are more likely to use payment methods if they have product warranties and don't have to pay to get their money back (Li, Ward & Zhang, 2003). Su (2009) said that sellers should set a time limit for returns because some things aren't safe to keep for a long time. Coolwijk (2014) said in his report that customers think e-return policies don't affect their return behaviour because they will return the product when they need to, no matter what the return policies are for an online portal. They also get better at what they do by focusing on customers who buy things quickly but then regret them and send them back a lot.

Objective: The purpose of this study is to determine the effect of return policies on online product purchases.

Hypothesis:

H0: Goods return policies have no significant effect on online product purchases.

H1: Goods return policies have a substantial effect on online product purchases.

Research Methodology

A descriptive research design was used for this study. Primary data are the most important part of the study, but secondary data are also collected for a literature review and to build a strong theoretical framework. The most important information for this study, which had a sample size of 278 people, came from interviews. A statistical analysis was done on the data. SPSS software was used to test hypotheses.

Data Analysis

Table No.1 Descriptive Statistics

Descriptive Statistics			
	Mean	Std. Deviation	N
Total goods return policy score	1.8892	.40907	278
Buyer prefer that online shopping portal which has a fair return policy	4.12	.758	278
Buyer expect all products should qualify for the return.	3.81	.912	278
Buyer purchase only those products that have a return option	3.31	1.090	278
Buyer purchase online only if a return option is available on the product	3.90	.783	278

Buyer prefer that shopping portal where the return policy is clearly defined and expressed.	3.76	1.019	278
Buyer expect availibility of goods return policy for discounted as well as products on sale	3.59	1.060	278
Buyer prefer shopping from those portals which offer free return shipping on their products	3.79	.920	278
Buyer prefer a portal which provides at least a month to return a product	3.94	.942	278
Buyer prefer a portal which provides Longer return time	3.77	1.068	278
Buyer would shop from those portals which makes the return hassle free	3.62	1.077	278
Buyer prefer a portal which does not require retaining of original receipt for returning the products.	3.87	.896	278
Buyer prefer a portal which does not require retaining brand tags for returning the products.	3.57	1.055	278
Buyer prefer a portal which does not require retaining of product packaging for returning the products.	3.56	1.006	278
Buyer would prefer that return policy where no costs are involved in making a return of the purchased products	3.84	.769	278
Buyer prefer that portal which allows the return of products with visible signs of use	3.49	.964	278
Buyer prefer that portal where products can be returned without mentioning a reason.	3.45	1.230	278
Buyer expect a cash refund of the returned product	3.64	1.277	278

Hypothesis Testing

Table No. 2 Model Summary

odel Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795[a]	.633	.609	.25586

Table No. 3 Anova

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	29.333	17	1.725	26.358	.000[b]
	Residual	17.020	260	.065		
	Total	46.353	277			

Table No. 4 Coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.732	.413		1.771	.078
	Q.1 Buyer prefer that online shopping which has a fair return policy	.039	.036	.073	1.081	.281
	Q.2 Buyer expect all products should qualify for the return.	-.159	.070	-.354	-2.268	**.024**
	Q. 3 Buyer purchase only those products that have a return option	.064	.033	.172	1.940	.053
	Q. 4 Buyer purchase online only if a return option is available on the product	-.121	.064	-.232	-1.885	.060
	Q. 5 Buyer prefer that shopping portal where the return policy is clearly defined and expressed.	.191	.072	.476	2.644	**.009**
	Q.6 Buyer expect availability of goods return policy for discounted as well as products on sale	.086	.043	.223	2.024	**.044**

	Q. 7 Buyer prefer shopping from those portals which offer free return shipping on their products	-.058	.042	-.131	-1.395	.164
	Q. 8 Buyer prefer a portal which provides at least a month to return a product	-.091	.049	-.209	-1.863	.064
	Q. 9 Buyer prefer a portal which provides Longer return time	.066	.036	.171	1.849	.066
	Q.10 Buyer would shop from those portals which makes the return hassle free	.048	.030	.128	1.604	.110
	Q.11 Buyer prefer a portal which does not require retaining of original receipt for returning the products.	.105	.053	.231	1.970	.050
	Q. 12 Buyer prefer a portal which does not require retaining brand tags for returning the products.	.099	.029	.255	3.379	**.001**
	Q.13 Buyer prefer a portal which does not require retaining of product packaging for returning the products.	.016	.034	.038	.459	.646
	Q.14 Buyer would prefer that return policy where no costs are involved in making a return of the purchased products	.006	.071	.011	.084	.933
	Q. 15 Buyer prefer that portal which allows the return of products with visible signs of use	-.104	.083	-.245	-1.254	.211
	Q.16 Buyer prefer that portal where products can be returned without mentioning a reason.	-.091	.077	-.274	-1.181	.239
	Q.17 Buyer expect a cash refund of the returned product	.227	.068	.708	3.352	**.001**
a. Dependent Variable: Total3						

- Q. 2 Buyer expect all products should qualify for the return P- Value : **.024**
- Q.5 Buyer prefer that shopping portal where the return policy is clearly defined and expressed P-Value =**.009**
- Q. 6 Buyer expect availability of goods return policy for discounted as well as products on sale P- Value =**.044**
- Q.12 Buyer prefer a portal which does not require retaining brand tags for returning the products. P-Value= **.001**
- Q.17 Buyer expect a cash refund of the returned product P- Value = **001**

Since the P- Value of Q.2 , Q.5, Q.6, Q.12 and Q.17 (Table No. 4 Coefficient) is less than 0.05 hence it is significant and we reject null hypothesis and it can be concluded that goods return policy has significant impact online product buying.

Conclusion:

1) R squared value for regression analysis is 0.633 (Table No. 2 Model Summary) which depicts that model explains 63.3 % of the variance
2) Since the p value for Anova table (Table No.) is 0.000 which is less than 0.05 which signifies that regression model is significant

3) For the testing of hypothesis, Descriptive statistics for each item is calculated with their mean and standard deviation. For the hypothesis, there were 17 item related to dependent variables. Regression analysis with test with t values and p values was done. Test results shows that for Q.2, Q.5, Q.6, Q.12 and Q.17 (Table No. 4 Coefficient) is less than 0.05 hence it is significant and we reject null hypothesis and it can be concluded that goods return policy has significant impact online product buying

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