# RETURN AND EXCHANGE OF GOODS: ONLINE CUSTOMERS' PERCEPTION AND BEHAVIOUR

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_Abstract

The growth of e-commerce has significantly transformed consumer shopping behaviour. Among the various factors that influence the online shopping behaviour of consumers, the policies and processes related to the return and exchange of goods also may be included. However, limited studies only have been undertaken on the return and exchange of goods in an online buying environment. This study aims to understand why customers return/exchange products purchased online, assesses its impact on purchase decisions, and analyses customer satisfaction levels with return and exchange policies & processes. 200 respondents in Chennai city in India participated in the survey that used a structured questionnaire. Analyses revealed that difficulties in goods return and goods exchange policies led online customers to prefer physical shopping.

**Keywords:** Online shopping behaviour, Goods return, Goods exchange, Customer Satisfaction

## 1. Introduction

One of the most important factors in internet shoppers' decisions is return policies. The return and exchange policies of online retailers play a crucial role in shaping customer perception and behaviour. The ever-changing online shopping environment has made consumer behaviour related to return and exchange of purchased goods crucial in determining customer loyalty and corporate success (Janakiraman, Syrdal, and Freling 2016).

Understanding these dynamics can help businesses refine their strategies to improve customer satisfaction, loyalty and overall sales. According to the UPS pulse of the Online Shopper report, about 73% of online shoppers indicate that the return experience affects their likelihood of purchasing from a retailer again. A 'Return & Exchange Experience' is a 'Moment of Truth' in a customer's journey. Trust and Confidence (Cai and Jun 2003), Convenience, Transparency in return and exchange policies (Janda, Trocchia, and Gwinner 2002) are highly impacting the customers in purchase decisions.

An important topic of interest for both customers and retailers, this study intends to explore the subtleties of online customer behaviour concerning the return and exchange procedures. Comprehending these actions not only contributes to raising client satisfaction levels but also offers valuable information for operational modifications that are required to raise service quality and profitability. The dynamics of exchange and return policies have developed into important factors that influence consumers' decisions when they purchase online (Oghazi et al. 2018). Additionally, this study will look into the logistical and psychological aspects that influence consumers' decisions to return or exchange merchandise. Additionally, it will evaluate the impact of outside counsel (friends, relatives, or internet evaluations) on these choices. The study will offer a thorough understanding of the patterns and preferences in customer behavior surrounding returns and exchanges in an online shopping environment using quantitative and qualitative analysis.

Customer perceptions of a brand can be greatly enhanced by a seamless, hassle-free return process, which promotes brand loyalty and repeat business (Ogunleye 2013). On the other hand, a difficult or unpleasant return process could discourage customers from making more purchases from the same brand or company and harm the company's image (Bower and Maxham 2012). A strong return policy can reduce the perceived anxiety of not being able to physically inspect things, which has a big impact on consumer confidence and purchasing behaviour.

## 2. Review of Literature

Variety seeking, impulsiveness, immorality, uniqueness, self-monitoring, re-patronage, compatibility, cost, return procedure, the risk associated with the return process, social group influence, legitimate return behaviour and opportunistic return behaviour are the various factors influencing the customers to return the products purchased through online (Pei and Paswan 2018). Return policies have different impacts depending on the shopping channel. Online shoppers place more importance on return policies due to the inability to inspect products beforehand (Hjort et al. 2013). In-store shoppers are slightly less influenced by return policies, as they can see and try products before purchase.

The effectiveness of a return policy is heavily influenced by how clearly it is communicated to customers. Companies with superior return policies often gain a competitive edge. A study by (Rogers and Tibben-Lembke 2001) highlighted that consumers are likely to choose retailers with more flexible return policies over those with more stringent policies. Generous return policies can encourage impulsive buying by reducing the perceived finality of the purchase decision. A study by (Gao and Yee 2022) showed that consumers are more likely to make unplanned purchases when they know that returns are easy and hassle-free.

Lenient return policies can lead to increased return fraud and abuse. A research (Janakiraman et al. 2016) found that clear guidelines and monitoring can help mitigate these risks while maintaining customer satisfaction. While generous return policies can drive sales,

they also come with increased operational costs. (Winer 2009) discusses the trade-off between customer satisfaction and the financial impact of returns, suggesting that the companies need to find a balance.

Positive return experiences can lead to increased customer satisfaction and loyalty. Research by (Gelbrich, Gäthke, and Grégoire 2015) indicates that return policies are a critical factor in post-purchase satisfaction and the likelihood of repeat business. Research indicates that generous return policies increase consumer confidence and trust in the brand, making them more likely to make a purchase. This effect is particularly pronounced in e-commerce settings where customers cannot physically inspect products before buying (Wood 2001). Most social–commerce service firms fail to efficiently convert the enhancement of safety, awareness, and novelty into consumer satisfaction (Shin, Park, and Kim 2021). According to Kim & team (Kim, Lee, and An 2024) apology as a managerial response has a more significant effect on perceived justice than the compensation which automatically influences trust and intention to use.

## 3. Research Gap

Research on the role of emotions and social influences in online return behaviour is limited. Understanding how emotions like guilt and satisfaction impact returns can help retailers improve customer satisfaction. Exploring social factors' influence on return decisions can provide insights for leveraging social networks to enhance return experiences and customer retention. By addressing these gaps, researchers can offer practical recommendations for retailers to optimize their return policies and strengthen customer relationships.

## 4. Research Problem

The research problem in this study on customer behaviour towards returns and exchanges of goods through online platforms was to understand the specific factors that drive consumers to initiate a return or exchange process and how these factors affect overall customer satisfaction and loyalty in an online retailer environment. Despite the general knowledge that lenient return policies can boost consumer confidence and potentially increase sales, online retailers continue to face high rates of returns, which can erode profit margins and complicate logistics. The core of the research problem lies in the need to identify and understand the multifaceted reasons as to why consumers decide to return products they have purchased online.

Furthermore, the problem extended to how these returns influence consumer perceptions of the brand and their future purchasing behaviour. There was a need to examine if the process of returning a product – whether perceived as easy or cumbersome – alters the customer's likelihood to buy from the vendor again. Additionally, the research explored as to how different demographic segments behave in the context of online returns and exchanges, and how these behaviours impact the overall strategy of online retailers regarding their return policies.

## 5. Research Methodology

This study primarily relies on the primary data where the data is collected through online questionnaire. Secondary data has also been used for extensive literature survey to identify the gap. Online customers in the city of Chennai in India were surveyed. Total sample size was 200 and the sample was drawn using Convenience sampling method. SPSS software was used to do data analysis and test the hypotheses.

6.  Data Analysis and Major Findings

Table 1 shows the responses of the respondents about return/exchange process completed within 1 to 3 days. Table 2 shows the responses of the respondents about return/exchange process completed within 3 to 7 days and Table 3 shows the responses of the respondents about return / exchange process completed in more than 7 days.

**TABLE 1. RETURN/EXCHANGE IN 1 TO 3 DAYS**

| Return/exchange in 1 to 3 days | | |
|---|---|---|
| **Categories** | **Frequency** | **Percent** |
| *Cosmetics* | 52 | 26.1 |
| *Kitchen items* | 4 | 2.0 |
| *Footwear* | 40 | 20.1 |
| *Food items* | 22 | 11.1 |
| *Home appliances* | 50 | 25.1 |
| *Clothes* | 26 | 13.1 |
| *Books* | 1 | .5 |
| *Electronics* | 3 | 1.5 |
| *Furniture* | 2 | .5 |
| *Total* | 200 | 100.0 |

**TABLE 2. RETURN/EXCHANGE IN 4 TO 7 DAYS**

| Return/exchange in 4 to 7 days | | |
|---|---|---|
| **Categories** | **Frequency** | **Percent** |
| *Cosmetics* | 7 | 3.5 |
| *Kitchen items* | 34 | 17 |
| *Footwear* | 58 | 29 |
| *Food items* | 19 | 9.5 |
| *Home appliances* | 16 | 8 |
| *Clothes* | 27 | 13.5 |
| *Books* | 15 | 7.5 |
| *Electronics* | 21 | 10.5 |
| *Furniture* | 2 | 1 |
| *Games* | 1 | 0.5 |
| *Total* | 200 | 100 |

*Table 3. Return/exchange in more than 7 days*

| Return/exchange in more than 7 days | | |
|---|---|---|
| **Categories** | **Frequency** | **Percent** |
| *Cosmetics* | 18 | 9.0 |
| *Kitchen items* | 19 | 9.5 |
| *Footwear* | 12 | 6.0 |
| *Food items* | 19 | 9.5 |
| *Home appliances* | 23 | 11.5 |
| *Clothes* | 39 | 19.5 |
| *Books* | 24 | 12.0 |
| *Electronics* | 6 | 3.0 |
| *Furniture* | 23 | 11.5 |
| *Games* | 17 | 8.5 |
| *Total* | 200 | 100.0 |

From the above table it is inferred that one quarter of the respondents have returned / exchanged home appliances, cosmetic products and footwear within 1 to 3 days, more than one third of customers returned / exchanged footwear within 3 to 7 days. Kitchen items and clothes are in the next sequence of return / exchange within 3 to 7 days. One fifth of the respondents have returned / exchanged clothes in more than 7 days followed by books, furniture and home appliances.

***Chi-Square Tests***

***Chi-square test for gender and number of years of using online services***

**Null Hypothesis (H0):** There is no significant association between gender and the number of years of using online services.

**Alternative Hypothesis (H1):** There is a significant association between gender and the number of years of using online services.

**TABLE 4. GENDER AND NUMBER OF YEARS OF USING ONLINE SERVICES.**

| | | *up to 1 year* | *more than one year &up to threeyears* | *more than three years* | |
|---|---|---|---|---|---|
| *Gender* | *Female* | 7 | 35 | 63 | 105 |
| | *Male* | 12 | 18 | 65 | 95 |
| **Total** | | 19 | 53 | 128 | 200 |

**TABLE 5. CHI-SQUARE TEST RESULTS**

| Pearson Chi-Square | 6.316[a] | 2 | 0.043 |
|---|---|---|---|
| Likelihood Ratio | 6.413 | 2 | 0.041 |

| Linear-by-Linear Association | 0.068 | 1 | 0.794 |
|---|---|---|---|
| N of Valid Cases | 200 | | |

Since the p value (0.043) is lesser than the significance level of 0.05, the null hypothesis is rejected. Hence there is an association between gender and years of using online.

In intermediate period (1 to 3 years), female customers are found to use online services for return / exchange than the male customers. However there is only marginal difference in the short run between male and female in using online services for return / exchange.

***Chi-square test for gender and number of customers return / exchange on behalf of other users in the house***

**Null Hypothesis (H0):** There is no significant association between gender and number of customers return / exchange on behalf of other users in the house

**Alternative Hypothesis (H1)**: There is significant association between gender and number of customers return / exchange on behalf of other users in the house

*Table 6: Gender and number of customers return / exchange on behalf of other users in the house*

| | | Returning /exchanging goods on behalf of other users in your house | | |
|---|---|---|---|---|
| | | Yes | No | Total |
| Gender | Female | 41 | 64 | 105 |
| | Male | 51 | 44 | 95 |
| Total | | 92 | 108 | 200 |

*Table 7: Chi-Square tests*

| **Chi-Square Tests** | | | | | |
|---|---|---|---|---|---|
| | Value | df | Asymptotic Significance (2-sided) | Exact Sig. (2-sided) | Exact Sig. (1-sided) |
| Pearson Chi-Square | 4.301ᵃ | 1 | .038 | | |
| Continuity Correction | 3.732 | 1 | .053 | | |
| Likelihood Ratio | 4.314 | 1 | .038 | | |
| Fisher's Exact Test | | | | .047 | .027 |

| Linear-by-Linear Association | 4.280 | 1 | .039 | | |
| N of Valid Cases | 200 | | | | |

Since p value is lesser than 0.05, null hypothesis is rejected. Hence there is significant association between gender and number of customers returning / exchanging on behalf of other users in the house. More of the male customers than the female customers return / exchange goods on behalf of other users in the house. More of female customers than the male customers are not seeking help to return / exchange.

### Regression anlaysis
**Null Hypothesis H$_0$:** The Company response to the query and the satisfaction level does not impact the recommendation to visit shops after returning/exchanging experience.
**Alternate hypothesis H$_1$:** The Company response to the query and the satisfaction level which impacts the recommendation to visit shops after returning/exchanging experience.

*Table 8. Model summary*

| Model | R | R Square | Adjusted R Square | Std. Error of the Estimate |
|---|---|---|---|---|
| 1 | .711$^a$ | .505 | .087 | 1.085 |

a. Predictors: (Constant), were you satisfied with the return/ exchange process? Did the company respond to your query/request reg. Return/exchange?

*Interpretation*
R-value represents the correlation between the dependent and independent variable, in our case r = 0.711 which has a good relationship between recommendation and the company's response to the query, and satisfaction level in return/exchange experience. R Square value (0.505) shows the total variation for the dependent variable that would be explained by the independent variables. Therefore, the model is effective enough to determine the relationships.

### TABLE 6. ANOVA

| Model | | Sum of Squares | df | Mean Square | F | Sig. |
|---|---|---|---|---|---|---|
| 1 | Regression | 24.759 | 2 | 12.379 | 10.511 | .000$^b$ |
| | Residual | 232.021 | 197 | 1.178 | | |
| | Total | 256.780 | 199 | | | |

a. Dependent Variable: Did you recommend to others to visit shops for purchase instead of buying online mode, after your returning/exchanging experience?
b. Predictors: (Constant), were you satisfied with the return/ exchange process? Did the company respond to your query/request reg. Return/exchange?

*Interpretation*

From the ANOVA table, we infer that there is a significant difference between the dependent and independent variable since the p-value is less than 0.05. Hence, we reject the null hypothesis therefore Company response to the query and the satisfaction level which impacts the recommendation to visit shops after returning/exchanging experience.

*Table 9: Coefficients table*

| Coefficients[a] | |
|---|---|
| Variables | Sig. |
| Did the company respond to your query/request reg. Return/exchange? | 0.209 |
| Were you satisfied with the return/ exchange process? | 0.005 |

a. Dependent Variable: Did you recommend to others to visit shops for purchase instead of buying online mode, after your returning/exchanging experience?

*Interpretation*

There is a significant difference in the recommendation to purchase after return/exchange experience concerning the satisfaction level of the return/exchange process.

**Kendall Coefficient of concordance tests**

Ranks for the level of importance given to return or exchange :

*Table 10: Mean rank table*

| Variables | Mean Rank |
|---|---|
| Easy reach over phone | 2.29 |
| Prompt reply of the person | 2.33 |
| Courtesy of the person | 2.52 |
| Knowledge of theperson | 2.87 |

*Table 11: Kendall's Coefficient of Concordance table*

| Kendall's W[a] | |
|---|---|
| | 0.055 |
| Chi-Square | 32.972 |
| Df | 3 |
| Asymp. Sig. | 0 |
| a. Kendall's Coefficient of Concordance | |

*Interpretation:*

The results indicate that there is statistically significant but weak agreement among participants on the ranking of the importance of various aspects when returning or exchanging goods.

**The rank for preference of getting a refund or exchange of the product**

*Table 12: Mean rank table*

| Variables | Mean Rank |
|---|---|
| Rrefund | 1.68 |
| Exchange | 1.99 |
| Sometimes refund or exchange | 2.33 |

*Table 13: Kendall's Coefficient of Concordance table*

| Test statistics | |
|---|---|
| Kendall's W[a] | 0.127 |
| Chi-Square | 50.832 |
| Df | 2 |
| Asymp. Sig. | 0 |
| a. Kendall's Coefficient of Concordance | |

*Interpretation:*

This indicates that it is statistically significant preference for refunds over exchanges, with a general inclination to avoid varying between the two options. The significance, though not very strong, Kendall's W suggests that while many participants lean toward a consistent preference, individual variances still significantly influence overall preferences.

**Other findings:**

- Usage of online services has increased over the last three years.
- Majority of the customers engage in return / exchange process at least once in a week.
- Increase in online usage reduced the help-seeking for return/exchange process among customers.
- Majority of the customers find variation in return/exchange policies and processes.
- Nearly 50% of the customers consider moving to in-stores due to frustrations in return/exchange process.
- Damage, Mismatch, quality of the product, social group influence are the major factors to return or exchange goods purchased through online.
- People in the age of more than 40 years are not willing to purchase online once they face return or exchange difficulty.
- 18 to 40 years age group of people often return or exchange the product purchased through online.

7.  Study contributions

Customer satisfaction can be increased by improving return and exchange process by providing easy-to-use return portals, transparent policy information and quick processing times consistently.  Post-return processes should be taken care of to improve customer satisfaction. Simplifying the return process by offering prepaid return labels, easy-to-print return forms, and convenient drop-off locations, ample time to return items will allow the customers to make informed decisions.

Promoting exchanges as an alternative to returns, and providing customers with the option to receive a different variety of the same product will help to reduce the overall return volumes.  Utilization of augmented reality technology will allow the customers to virtually try the products and to take purchase decisions.

8.  Limitations and Scope for Further Research

The sample for this study primarily consists of young and educated urban population. Future research can focus on the rural population.  This study did not consider the impact of competitors' return policies.  Comparing the return policies of different online retailers could provide a more comprehensive understanding of how customers make decisions.  Future studies can incorporate the viewpoints of online retailers too.  Understanding the challenges and constraints faced by retailers in managing returns and exchanges could offer a more balanced understanding of the issue.  Implementing a longitudinal study could help track changes in consumer behaviour and attitudes towards online shopping, returns, and exchanges over time, especially as e-commerce evolves.  Qualitative studies such as interviews or focus groups could provide deeper insights into the motivations, frustrations, and satisfactions of consumers about online shopping and return policies.

9.  Conclusion

Despite the prevalence of online services usage, there is a strong inclination towards traditional shopping methods.  There is a high level of activity related to returns and exchanges, with a majority participating in these actions weekly or more frequently.  This suggests that returns and exchanges are a significant aspect of the online shopping experience for consumers. Attitudes towards the importance of return and exchange policies are mixed, with a significant majority valuing these aspects to varying degrees.  However, there remains a notable proportion that places little importance on them.  Overall satisfaction with the return and exchange processes is generally high, although there are grievances about the quality of the replacement or refund processes.  A considerable segment of respondents expressed dissatisfaction with these aspects, indicating room for improvement in service quality.  A majority of respondents report occasional irregularities in how return and exchange policies are applied, suggesting that inconsistency in policy execution could be affecting customer trust and satisfaction.

In conclusion, while the digital transformation of retail continues to advance, the importance of robust, clear and customer-friendly return and exchange policies remain paramount.  Retailers need to address these critical aspects to enhance customer satisfaction, foster loyalty, and maintain a competitive edge in both online and offline retail environments.

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