

Analysis of Online Product Return Behaviour of Indian Consumers: A Study in Delhi NCR

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Abstract

With the invention of High-speed internet and seamless online transaction processing, the scope of e-commerce has widened vastly. Online purchasing has invaded every urban household and has enabled services like online product purchases to be used by every person who has access to the internet and a bank account. The success of organizations dealing in e-commerce such as Flipkart, Amazon, Myntra, Zabong, etc is a testimony of how effectively e-commerce has achieved its goals in India. It is rapidly expanding to include more products such as medicines etc in its ambit. However, along with its vast success, there have been many instances where consumers have been left dissatisfied by e-commerce. It can be due to delivery of the wrong product, delivery of similar products with different specifications, etc. under such circumstances, the consumers are expected to initiate the return of products purchased through the online platform. The current paper aims to analyze the behaviour of consumers in this regard. Based upon the type of products purchased, the monetary value of purchase, time elapsed since the product was purchased; consumers behave differently with respect to online product return. The current paper is based on a study conducted in Delhi – NCR. The responses have been sought by urban consumers. The study has been conducted with a sample size between 150-200.

Keywords

Online, Product, Return, E-commerce, Transaction, Dissatisfaction, and Consumers.

1. Introduction

The Indian e-commerce sector has opened business avenues beyond our imagination. With an annual growth rate of 28 percent, the Indian e-commerce space is in a rapidly expanding yet mature and healthy phase. In its current form, it offers the convenience of selecting and buying products, making transactions, and receiving them at doorsteps. E-commerce has transformed the equations of retailing in India completely. An ever-increasing number of consumers are ordering products online. Thousands of products ranging from bags, apparels, footwear, mobile phones and electronic gadgets, books, medicines to food products, furniture, groceries, FMCG items, etc are available online on hundreds of websites, few as popular as Flipkart, Amazon, Myntra, Pharmeasy, Jabong, big basket, and Grofers, etc to name a few. Benefits that e-commerce offers to the consumers are easily seen—a wide range of product categories, lower prices, the convenience of shopping, integration with mobile wallets, etc are some of the advantages of using e-commerce to fulfill daily purchase requirements. E-commerce companies are operating in a very competitive space and the race to win customers is on. For wooing the customers, the online companies set different types of promises such as rapid delivery of products, complimentary gifts, easy return policies, etc. In this way, they try to differentiate their services and claim to be better than their rivals.

The e-commerce space has become really complex with a tremendous amount of orders being processed daily. The distribution networks of e-commerce companies are working day and night to ensure the timely delivery of products to the customers. To add to this complexity, easy return policies of the companies have become one of the ways of service differentiation and customer delight. Lenient return policies have fuelled unnecessary ordering and increasing return rates. This has implications both for the behaviour of consumers as well as online companies. Increasing online returning has made the Indian e-commerce ecosystem all the more complex and cumbersome to handle. More and more consumers are returning products now since it is easy to do so. Reverse logistics is happening at an ever-increasing rate. Companies have included free returns as a part of their overall service offering.

This study aims to analyze the product return behaviour of the online shoppers. The study has been done from the consumer's perspective. It is a relatively new area of research, hence there are less previous researches done on this topic.

2. Review of Literature

Although there is fewer of researches that have taken place on the subject, to quote an article of shopify.com belonging to the year 2019, "In response, businesses are adding to employee strength, increasing their storage space, and setting up departments to handle reverse logistics. Returns are normal and central to customer experience in this new scenario. But they don't have to be troublesome for the company. In fact, how you deal with returns-before and after purchase-can differentiate your brand from the other and help your organization create a competitive advantage, and even make you more profit-earning." (Orendorff Aaron, shopify.com, 2019). The quote highlights return policies as a service differentiator that the companies can use to create a competitive advantage, but it doesn't have to be plagued, meaning, it does not have to be used to the company's disadvantage.

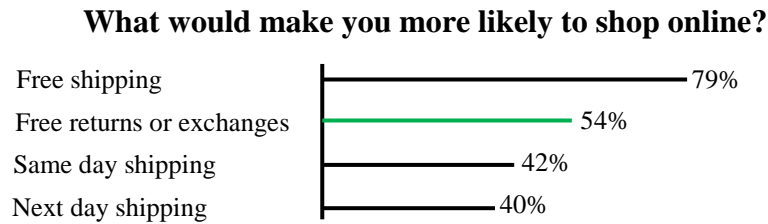
To quote a part of another article by Avinash Tiwary in *financialexpress.com* on Amazon's product returns, "People in the e-commerce industry say 15-25 percent of products bought in the fashion category are returned and, each time a buyer returns a product, the e-tailer's logistical cost escalates three times. Along with cash on delivery (COD), the 'no questions asked' return policy has worked like magic to attract buyers." (Tiwari Avinash, *financialexpress.com*, 2015)

The trend towards easier return policies in e-commerce (Hjort et al. 2013) has significant implications for how consumers search, compare, order, and buy products online. Free return policies are good as well as bad for the organization, good in the sense that these can drive sales upwards, bad in the sense that free returns can encourage reckless purchasing, thereby increasing the reverse logistics cost of the company: recent reports state that online returning by the consumer due to this reckless purchasing has gone up by 20 percent. (The Retail Equation 2014), which characterizes the dark side of e-commerce (see The Economist 2013;

Minnema et al. 2016). This kind of return is becoming very problematic for organizations, especially the ones that operate in the fashion space. Germany based Zolando reports around 50 percent of clothing purchased online is being returned. (Zalando 2014; Thomasson 2014). A recent study published in Harvard Business Review also indicated that this non-stop returning of products is proving very costly for retailers. (Minnema et al. 2016). The organizations can counter the impacts of unnecessary product ordering and return only by understanding the online product return behavior of their consumers closely.

Retail business expert Steve Dennis writes in Forbes.com that when a product is returned back to the seller, not only it increases the reverse supply chain cost of the seller but also, it cannot be sold even at half of its price sometimes, because of wear and tear, damages, etc. He further adds that today, as the direct-to-customer business is almost entirely e-commerce driven, free shipping is nearly ubiquitous, and "hassle-free" returns and exchanges are increasingly common. This has on one hand increasing the average product handling cost while on the other hand, encouraged consumers to order products recklessly. (Dennis Steve, Forbes.com, February 2018)

To quote a paper presented in the World Marketing Congress held in France in 2011, "Authors have coined the terms such as "retail borrowing" (Piron and Young, 2000), "Wardrobing" (Woyke, 2005), and "Free Customer Rentals" (Schuman, 2004) to describe URD behaviours", URD stands for Unethical Return Disposition (of products purchased). (Rosenbaum et. al. "Understanding why customers choose to abuse or not to abuse return policies: The customers return is not always legitimate") (Campbell Colin, The customer is NOT always right? Marketing orientations in a dynamic business World, 2011)



Source: Data via Walker Sands (2018)

Figure 1: Reasons for Online Shopping

3. Research Methodology and Hypothesis

200 respondents were approached for the study. A structured questionnaire was used for seeking a response. Out of 200 respondents approached, a total of 153 respondents returned complete questionnaires, 38 were weeded out due to lack of experience of online shopping (and thus returns). 9 responses obtained were incomplete, thus were not used in the study.

Table 1: Number of Responses Received

Total responses sought	200
Responses obtained (Eligible)	153
Ineligible respondents	38
Incomplete responses	09

In the study, the structured questionnaire was divided into three parts – in the first part of the questionnaire, respondents were asked to provide a brief profile (Age, Gender, City, Level of education, Occupation, etc). In the second part of the questionnaire, they were asked questions related to their online shopping habits like Monthly frequency of online purchasing, Average monthly online purchasing in terms of the value of transactions, platforms (websites) they usually use for online purchasing, types of items they purchase online, etc.

The third part of the questionnaire dealt with the manner and type of returns that the consumers make. The returns were divided into two distinct types:

- a) Unplanned returns (returns due to damaged product, wrong product delivered, etc)
- b) Planned returns (intentional returns, unethical on the part of the consumer)

Only planned returns have been considered for the purpose of the study.

In this part, the customers were supposed to rate themselves on a scale of ten on the following consumer characteristics:

- a) Degree of variety-seeking behaviour
- b) Degree of impulse buying behaviour
- c) Degree of desire for uniqueness in purchasing
- d) Degree of getting socially influenced
- e) Degree of self-monitoring

Hypothesis

H1: Variety seeking behaviour is positively associated with unplanned return behaviour

H2: Desire for uniqueness is negatively associated with unplanned return behaviour

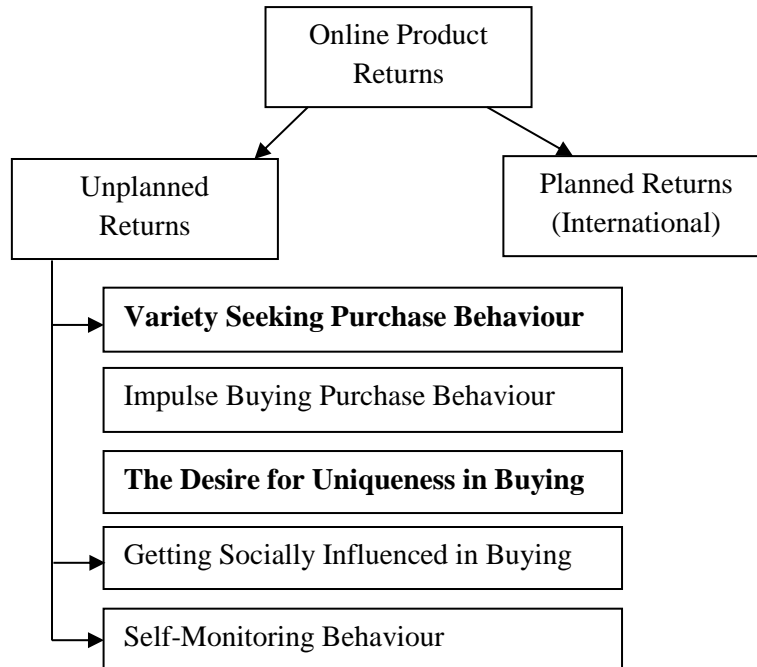


Figure 2: Nature and Reasons for Product Return

4. Results and Discussions

Scores of Self-administered questionnaire for the characteristics under study (part 3)

Table 2: Scores of Self-administered Questionnaire for the Characteristics under Study

Characteristic/Score	1	2	3	4	5	6	7	8	9	10
Variety seeking purchase behaviour	2	11	6	13	24	31	28	25	8	5
The desire for uniqueness in buying	3	13	11	18	22	20	37	9	11	9

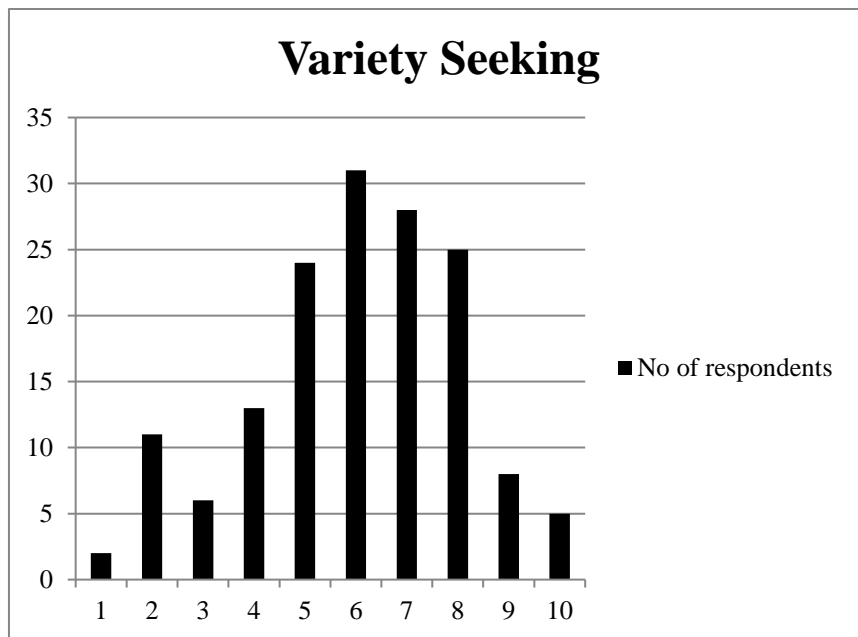


Figure 3: Variety Seeking Purchase Behaviour

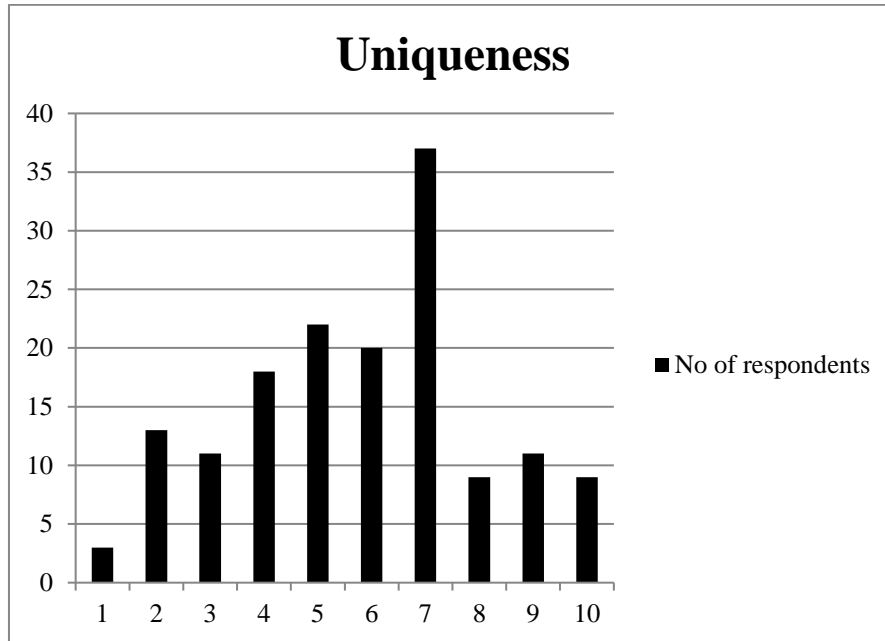


Figure 4: The Desire for Uniqueness in Buying

Table 3: Average Scores for Variety Seeking Behaviour/Desire for Uniqueness in Buying

S. No.	Characteristics	Average Score
1	Variety seeking purchase behaviour	6.00
2	The desire for uniqueness in buying	5.78

5. Conclusion

- The characteristic of variety seeking purchase behaviour has an average score of 6.00, 97 out of 153 respondents (more than 50 percent respondents) have given themselves a score of more than 5 on this variable.
- As most of the correspondents who have given themselves a score of more than 5 on ‘variety-seeking’ variable have also rated that the returns made by them are ‘unplanned’, we conclude that consumers with variety-seeking purchase behaviour tend to make unintentional returns or genuine returns.

- The characteristic of uniqueness seeking purchase behaviour has an average score of 5.78; 86 out of 153 respondents (more than 50 percent respondents) have given themselves a score of more than 5 on this variable.
- As most of the correspondents who have given themselves a score of more than 5 on the ‘uniqueness seeking’ variable have also rated that the returns made by them are ‘unplanned’, we conclude that consumers with uniqueness seeking purchase behaviour tend to make unintentional returns or genuine returns.
The study will further be conducted for the remaining variables using a better and more scientific methodology.

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