Consumers' Legitimate and Opportunistic Product Return Behaviors: An Extended Abstract

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Introduction

Product return is a necessary part of the exchange/transaction process between buyers and sellers, which, however, also erodes firm profits. Product returns cost US manufacturers and retailers approximately \$100 billion annually in lost sales through reboxing, restocking, and reselling, reducing profits by 3.8 % on average per retailer or manufacturer (Blanchard 2007; Petersen and Kumar 2009; Petersen and Kumar 2012). Due to an increasing return policy abuse and return rate, many firms have altered their generous return policies to restrictive return policies to protect profits. However, it's suggested that the restrictive return policy could also reduce customer satisfaction, increase the perceived risk, and thus negatively affect customers' decision-making (Petersen and Kumar 2009). Therefore, even though manufacturers and retailers hate product returns, smart companies are accepting them as bitter pills to be swallowed (Petersen and Kummar 2012). In other words, having a restrictive return policy is not a solution.

Hence, the problem of returns needs to be comprehensively addressed. While extant literature mainly focuses on return policies rather than product returns behavior itself, our understanding of consumer's return behavior is extremely limited. Thus this study focuses on understanding consumers' product return behavior to fill the current research gap. Little research has studied return behaviors in a comprehensive manner. (1) The extant researches either examine general return behaviors or investigate unethical return behaviors in a narrow way such as merchandise

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borrowing or fraudulent returning. (2) The findings of the ethical literature have been inconsistent. Only Harris (2008) finds a significant relationship between fraudulent return behavior and demographic factors, while other papers result insignificant relationships. (3) The majority of the ethical literature are qualitative research. Only two of them are empirical studies (Johnson and Rhee 2008; Harris 2008); thus, there is a lack of empirical evidence.

The objectives of this study include three parts: (1) the different types of consumers' return behaviors, (2) drivers of these return behavior types, and (3) the consequence of return behaviors. First, this study starts by analyzing consumers' product return behaviors, which are broadly grouped into two categories: legitimate and opportunistic return behaviors. Legitimate return behaviors are those return behaviors that are acceptable in a mature market, including returns due to product defects, sellers' fault, buyers' remorse, or a changed external market. Those dishonest or unethical return behaviors including merchandise borrowing and other related cheating behaviors are considered as opportunistic return behavior. Second, after identifying various return behaviors, this study tries to understand the factors driving these behaviors, including internal drivers to consumers (i.e., variety seeking, impulsiveness, perceived uniqueness, materialism, level of morality, and self-monitoring) and external drivers to consumers (i.e., product compatibility, returning cost, perceived risk, complexity of procedure, and social group influence). The relationship between these drivers of return behavior and the type of return behavior are examined. Finally, the influence of the two different types of return behaviors on consumer's repatronage intention is examined. Please see the research hypotheses as follows.

H1: Variety seeking is positively associated with legitimate return behavior.
H2: Impulsiveness is positively associated with legitimate return behavior.
H3: Desire for uniqueness is negatively associated with legitimate return behavior.
H4: Desire for uniqueness is negatively associated with opportunistic return behavior.
H5: Immorality is positively associated with opportunistic return behavior.
H6: Self-monitoring is negatively associated with opportunistic return behavior.
H7: Materialism is positively associated with opportunistic return behavior.
H8: Product compatibility is negatively associated with legitimate return behavior.
H9: Perceived risk is positively associated with legitimate return behavior.
H10: Returning cost is negatively associated with opportunistic return behavior.
H11: Complexity of procedure is negatively associated with opportunistic return behavior.
H12: Social group influence is positively associated with legitimate return behavior.
H13: Social group influence is positively associated with opportunistic return behavior.
H14: Legitimate return behavior is positively associated with customers' repatronage intention.
H15: Opportunistic return behavior is negatively associated with customers' repatronage intention.

Methodology

Qualitative Study

Ten in-depth face-to-face interviews were conducted in order to gain a deeper understanding of consumers' product return reasons and behaviors. The sample consists of staff members and student workers at a large university and residents who live in a certain locality. The interview protocol covered issues pertaining to return experiences, the reasons and motivations associated with return intentions, and the possible repatronage intentions. Open questions allowed the interviewees to express their general ideas and experiences. All of the interviews were audio recorded and transcribed for research purpose. In order to analyze the qualitative data, emerging themes were identified using the procedure recommended by Corbin and Strauss (1990). Five major themes of reasons of returns emerged from interview discussion: functionality, emotions, cost (time and price), specialty purchase, and unethical returns.

Pilot Study

A new seven-item measurement for consumers' product behavior, including legitimate and opportunistic, was developed based on the findings of qualitative study and literature review. A pilot study ($N = 111$) was conducted at a university located in the Dallas-Fort Worth area in Texas. Students were offered extra course credit for participating in the survey. Manipulation check was conducted to make sure the classification of legitimate and opportunistic return behavior is feasible. The manipulation check was successful.

Main Study

Data for the main study was collected from Amazon Mechanical Turk (MTurk) ($N = 400$). This study followed Rossiter (2002) procedure to assess the measurement model through testing reliability and validity. Reliability is assessed via verifying Cronbach's alpha, which should be greater than construct correlation. Validity is assessed via verifying convergent validity (AVE > 0.5) and discriminate validity (AVE > Φ square) (Churchill 1979). After measurement analyses, we proceeded to the hypotheses testing.

Results and Discussion

The results show support for H2, H3, H5, H8, H9, H12, H13, and H14. Specifically, the findings suggest that (1) impulsive customers are more likely to make legitimate returns because they are more likely to change minds after purchase, (2) consumers' desire for product uniqueness reduces legitimate return behavior, (3) immoral customers are more likely to make opportunistic returns, (4) product compatibility negatively influences legitimate return behavior, (5) the perceived risk of keeping the product positively influences legitimate return behavior, and (6) a social group significantly influences consumers' product return behavior, including legitimate and opportunistic return behaviors.

Conclusions and Implications

This study identifies different consumer product return behaviors, including legitimate and opportunistic return behaviors, investigates if and how different psychological and marketing factors influence these product return behaviors, and examines the consequence of these behaviors. It contributes to both the academy and the industry.

Academically, this study is the first one that examines consumer product return behaviors in a comprehensive way and adds to the product return literature. It confirms that legitimate return behaviors consist of four types of return behaviors: (1) customers return the product because the product has a defect; (2) customers return the product because the seller is at fault; (3) customers return the product because they change their minds; and (4) customers return the product because they find a lower price elsewhere or they find a product with higher performance. All the other return behaviors such as merchandise borrowing are classified as opportunistic return behaviors. These findings are very important for setting milestone for future studies to examine more deeply how different return behaviors have significant different influences on retailers. In addition, this study has great theoretical contributions as well. The findings indicate that impulsiveness, desire for product uniqueness, product compatibility, and perceived risk significantly influence legitimate return behaviors, confirming that the confirmation/disconfirmation (C/D) framework is able to explain that product returns occur due to an unsatisfactory purchase and that immorality and negative social group influence significantly impact opportunistic return behaviors, indicating that the theory of planned behavior (TPB) applies to the context of product return.

This study has important implications for managers as well. From a firm's perspective, since product returns erode profits (Lawton 2008), managers can learn how to reduce product returns based on the findings. For example, since impulsiveness is found to positively increase legitimate return behavior, managers should try to reduce impulsive buying through advertising design. Since opportunistic return behaviors are more likely to be influenced by psychology factors (i.e., immorality) and thus are difficult to be controlled, to reduce opportunistic return behaviors, managers can educate customers by letting them know that if they continue being dishonest, i.e., return the used product or change the price tags, they will eventually end up swallowing the bitter pills through an increased product price or a tightened return policy.

References Available Upon Request