

Impact of Return Policies on Customer Satisfaction in E-Commerce Platform: Bangladesh

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Abstract:

This study exertion is to understand customer behavior on e-commerce purchasing for return policy and how will this return policy be affected in e-commerce business. Some hypothesize chosen as the basis of the framework of this study to explain customer behavior through a self-constructed questionnaire from 222 respondents of **Bangladesh**. The following literature was reviewed to know the fact of return policy that would influence consumers positively or negatively towards purchasing online. SPSS software was used to present the research data, both arithmetically and graphically and to test the research hypotheses. The survey reveals that customers are not satisfied with the present return policies; they want the reliability of the expected products. Both male and female have a similar type of nature towards the interested and disinterested factors. They are interested in a safe return policy both for defected product and mind diversification with extra charge and disinterested about shopping without a clear return policy. From the respondent's information, it was also known that they would recommend the shop to others if they get a clear return policy, as well as influence others to buy more products which will increase the customer number. Furthermore, the outcome of the hypotheses discovered that even though online purchasing is comfortable to all consumers; exchanging concern and the fear of mismatching with expected products have a significant impression on e-commerce purchasing. And it is also found that customers are very much interest to have a option for "Change of Mind" in return policy. Finally, it has been offered towards online retailers to keep a clear return policy for making e-commerce purchasing delighted and trustworthy.

Keywords: Customer behavior, return policy, e-commerce purchasing, SPSS software.

Introduction:

It's evident that people are getting increasingly interested in online purchasing, and thus, e-commerce is growing fast. Recent coronavirus pandemic has boosted the online marketplace with a thriving push. People feel more comfortable buying things online rather than going to malls nowadays. But still, some drawbacks deprive a lot of customers from purchasing online. One of those drawbacks is the lack of proper 'Return policies System'.

But on this topic, there are inadequate research and moreover, very few studies perspective to Bangladesh has been done as online purchasing is relatively new trend in this country. Therefore, a small attempt to fill up this gap, exploration on return policy perspective to Bangladesh has been carried out. The research objective is about getting a clear return policy for customer satisfaction as well as the benefit of retailers by developing a good customer – retailer relationship, which will increase the consumer's number.

Return policy refers to the process of exchanging a product if it seems faulty to the customer. this policy should be smooth and trouble-free. It will earn the shop's positive review and customer's trust, which will be helpful to grow the business. Online shops should focus on ensuring a pragmatic return policy system and include this firmly in their business policy.

Keeping the customers satisfied should be the number one priority for any business holder. A business which fulfils the consumer needs with complete satisfaction is more successful than its opponents as satisfied buyers tend to purchase repetitively. If there has a clear return policy, the customers will be assured about getting the right product. It will make the customers satisfied, which will definitely encourage them to make further purchases.

Problem statement:

Usually, a customer orders online by seeing photos of the product. The product can either be faulty or not according to the consumer's expectation. He or she might have to exchange it for a better product. Here comes the problem! Sometimes online shops do not offer exchanges for damaged goods which is very indiscernible.

Let's come to the second scenario where the retailer agrees to exchange any product within a limited period, but the process of exchanging is very troublesome. Some of the country's biggest online marketplaces have the policy for exchanging, which involves the customer himself to come and grab the changed product. If the customer had time to go by himself to exchange the work, he/she might buy it from any shopping mall rather than ordering online.

The basic idea of online shopping is to save time. A person purchases product from online because he/she cannot make time for going to the market. That's why he/she pays extra money as 'delivery charge' to bring the product at his/her doorstep. As we discussed earlier, an online shop has to take responsibility for their faulty product and change it for a better one on customer's demand as it's a question of their own reputation.

Literature review

Since the technological advancement in Bangladesh has become more common nowadays, people are becoming handier with the internet, establishing a myriad of connections (Azam, 2007). As a result, people tend to buy products more from online retailing platforms rather than from markets since it reduces time consumption and makes people more productive. However, there are few factors that hold the consumers to indulge themselves into buying more from online platforms such as customer services. From the findings of (Broderick, 2007) it is seen that detailed product information and service attracts more people in buying products from online platforms and the shift of ways of purchases escalate immensely.

One of the most essential services is the return policy that acutely determines customer behavior towards a particular retailing platform. It is safe to admit that restricting returns might bear some risks, one of which is losing customers since an easy return policy is a part of overall value proposition provided by the retailer (Dholakia, 2005). If customers find faulty products and find out that it is not returnable, he/she might hesitate to consume products from there. Moreover, an acceptable return policy compels people to buy online (Monswé, 2004). As there is no physical inspection of the product, the web stores need to gain a

customer's trust by having return policy so that the customer can return faulty products and expect to get a better one and some online platforms do use return policy as a competitive advantage (Mukhopadhyay, 2004).

Furthermore, the speed of recovery is another factor that leads to customer satisfaction which induces repurchase intentions. Whenever a customer buys something and gets a faulty product, he/she wants to get the functioning product as early as possible and delaying may affect his/her repurchase intentions. This is what (Dholakia, 2005) demonstrated that operations performance with speedy returns and refunds would influence customers future purchase actions.

Based on the works of literature, we have constructed our hypotheses and felt the need for the research to find out the customer behavior if online retailing platforms had robust return policies.

Theoretical Framework

Return policy is an essential tool for customer satisfaction. Due to shortage of time and scope, customers tend to order online their desired products. They look at the photographs of the product and send them to cart. But often after getting it delivered, they feel disappointed because the product isn't up-to-mark. Online shops should facilitate return policy so that the customers can get their desired product.

Some online shops offer a return policy, but it's not satisfactory. They often tell their customers to come by themselves to change the product. It should be the online shop's duty to make sure that the customer gets delivered the right product. If they fail to do it in the first place, they should compensate by adequately following swift return policy. Some other online shops don't even have a return policy. They don't bother at all if their customer is satisfied with the delivery, which is counterproductive. Once a certain customer falls victim to such a disappointing incident, he/she will most likely never purchase anything from that particular online platform.

Hypothesis 1: E-commerce customers are not satisfied with present return logistics procedures.

The primary purpose of online purchasing is to save time. That's why people are buying more from online these days as they are too busy to go to the mall. The only drawback of the online purchasing system is that a customer cannot examine the quality of the product by himself. He has to rely on the seller. But it is not unusual that when the customer receives a product, he may have complaints. The seller should make sure that his customer gets what he wanted. If customer satisfaction isn't achieved at the first time when delivered, the seller has to return the product on his own. It will gain the customer's trust, and he will place further orders from that particular online platform. This will ensure an online shop's positive review, which will help grow the business. Lack of proper return policy will hamper the reputation of any e-commerce corporation.

Hypothesis 2: if sellers assure clear return policy that they will return the defected product on their own, then customers will buy more from an e-commerce platform.

We have worked on some proposals to develop a lenient and easy return policy which will create 'win-win' situation for both sellers and customers.

When a customer orders something online, he has to pay the delivery fee along with the price of the product. But if the seller assures a clear and easy return policy, delivery fee may increase a bit. But customers will be happier to know that they will get their desired product by any means possible. It guarantees customer satisfaction as a customer doesn't have to receive any defected or damaged product. And They won't turn back from giving order just in fear of not getting desired products as shown.

Hypothesis 3: Customers are okay to pay slightly higher price for a clear and hassle-free return policy.

An additional option can be added while ordering online so that a customer can choose, he/she will pay extra money for a return policy or not. Sellers can add 'Change my mind' option to make sure customers are totally fine with the extra money they are paying. Here the scenario can be like, when a customer goes to a market, he/she tries different products and of them he/she will buy just one. It is more applicable for fashion items. And for these kind products, 'Change of Mind' is unavoidable. As there can be huge difference between the real view and picture view. So, sellers can give an additional option to return for the cause of 'Change of mind' with paying extra delivery charge.

Hypothesis 4: If the sellers give the option of return for the reason of "Change of Mind" by paying an extra delivery fee, customers will purchase more.

Methodology:

To test the proposed hypothesis, we conducted an online survey of randomly selected people of various ages, profession, gender living in Bangladesh. For achieving this research, the targeted population is people who purchase from e-commerce platforms frequently. We have approached university students and their family members as our sample; the total sample size is 222. The sample size is selected from them who at least purchase from online platforms once in 6 months. This research survey is followed by collecting the required data from the model through the questionnaires in Google forms.

Gender	
<i>Male</i>	49.8%
<i>Female</i>	50.2%

AGE	Percentage
<i><18 years</i>	3.2%
<i>18-25 years</i>	75.1%
<i>25-35 years</i>	14.9%
<i>35-50 years</i>	5.0%
<i>>50 Years</i>	1.8%

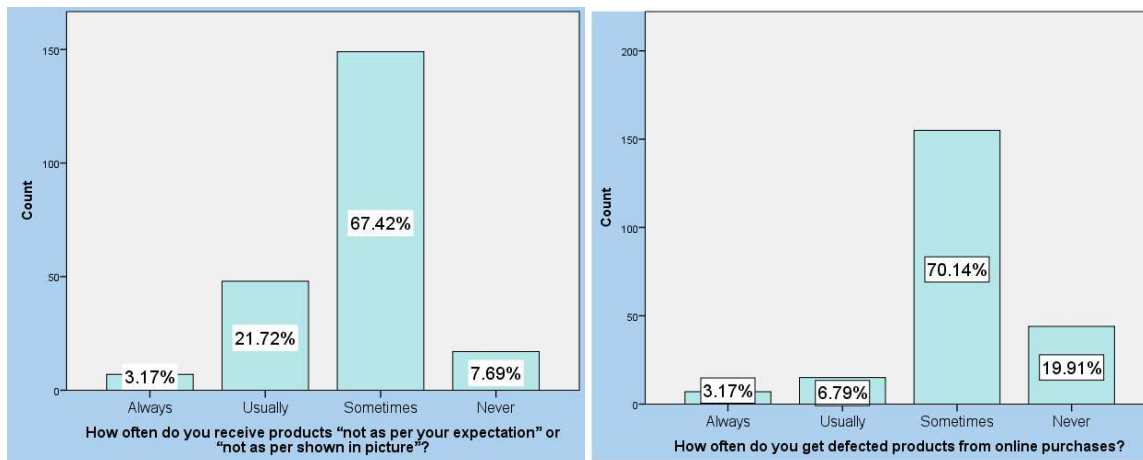
Monthly Income in BDT	Percentage
<i><15k</i>	3.2%
<i>15k-30k</i>	75.1%
<i>30k-50k</i>	14.9%
<i>50k-100k</i>	5.0%
<i>>100k</i>	1.8%

Frequency of online purchasing	Percentage
<i>A few times a week</i>	7.7%
<i>About once a week</i>	4.1%
<i>A few times a month</i>	22.6%
<i>Once a month</i>	16.7%
<i>Less than once a month</i>	48.9%

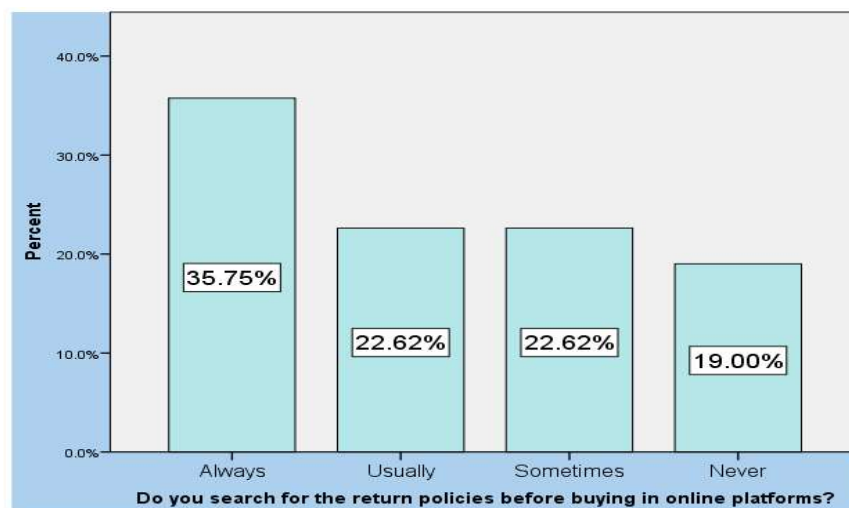
The research has been conducted by collecting primary data from consumer response. A set of questionnaires were measured on a five-point ranging Scale where 1 = Strongly Agree to 5= Strongly Disagree.

To analyze related factors, "Factor Analysis" and "Linear Regression Analysis" were used after Descriptive Statistics had been performed. All of these analyses were conducted by SPSS data analysis software. Linear Regression was used to identify the interrelations between the hypotheses.

This research is to find satisfaction about the return policy in e-commerce purchasing. Return is needed only when a customer would get defected or "not as per their expectation or shown" product.



So, from the survey, we get that most customers sometimes get the defected or not intended products. As a result, they will intend to return. Then one more thing is to find out whether customers search for return policies before purchasing.



So, the survey result says that most of the customers search for the return policies before purchasing. We can now study the customer satisfaction about the present return policies and how it can affect purchase intention and will try to develop the return policy by creating a "Win-Win situation" for both sellers and customers.

Results

We measured the hypothesis 1 using 4 item scale to access the customers' satisfaction of present return policies of the e-commerce sellers. For hypothesis 1, the value of Cronbach's Alpha, $\alpha = .671$, which is in the accepted range. For hypothesis 2, we have also used 4 item scale to evaluate the impact of lenient return policy on customer behavior and purchase intention. For this hypothesis, the value of Cronbach's Alpha, $\alpha = .695$, which is also in the accepted range.

Hypothesis-01: Most of the e-commerce customers are not satisfied with present return logistics procedures,

Based on a five-point ranging Scale where 1 = Strongly Agree to 5= Strongly Disagree.

H₀ = 'μ ≥ 3' – E-commerce customers are satisfied with present return logistics procedures

H₁ = 'μ < 3' - E-commerce customers are not satisfied with present return logistics procedures

items	Extractions
1.Do you think It is easy to make returns the defected/mistaken products after receiving?	.695
2. Do you think the online stores have clear returns policy?	.656
3. I often have trouble getting the returned item from the shipping company.	.961
4. Are you okay to return the product to seller on your own? [reverse]	.533

Items indicating factors regarding the hypothesis are showing very high communalities which denotes that items are related to each other.

Mean = 2.77; SD = 0.71; Median = 2.75; 99% Confidence interval = [2.659,2.88]

For Null Hypothesis, One tailed test in normal distribution, For α = 1%, z = -2.32 & Test static value = -4.83

the test statistic > critical value, and p-value = 0.0001%

therefore, we can reject the null hypothesis.

So, it is accepted that most of the **e-commerce customers are not satisfied with present return logistics procedures.**

Hypothesis-02: If sellers assure clear return policy that they will return the defected product on their own, then customers will buy more from e-commerce platform,

Based on a five-point ranging Scale where 1 = Strongly Agree to 5= Strongly Disagree.

H₀ = 'μ ≥ 3' – Purchasing intention won't increase by assuring clear and easy return policy.

H₁ = 'μ < 3' -- Purchasing intention will increase by assuring clear and easy return policy.

Items	Extractions
Sometimes I turn back from buying something online just in fear of getting defected products.	.691
If I find a clear and easy return policy, I won't hesitate to purchase.	.712
I will purchase more if the sellers assure me that they will return the defective product on their own responsibility.	.715
I will recommend this shop to others if the seller return the defective product on their responsibility.	.711

Items indicating factors regarding the hypothesis are showing very high communalities which denotes that items are related to each other.

Mean = 1.6787; SD = 0.544; Median = 1.75; 99% Confidence interval = [1.59,1.76]

For Null Hypothesis, One tailed test in normal distribution, For α = 1%, z = -2.32 & Test static value = -36.18

The test statistic > critical value, and p-value = 0%

Therefore, we can reject the null hypothesis.

So, it is accepted that **Purchasing intention will increase by assuring clear and easy return policy.**

Hypothesis-03: In the last section, it is asked to the customers whether they prefer those sellers who assure easy and lenient return policy or who neglects return policy but offers cheap rate. It is evident that ensuring lenient return policy is costly. So, customer perception is important here.

What do you prefer in online shopping?

222 responses



We can see that maximum customers want effortless and straightforward return policy, and they are okay to pay slightly higher.

Hypothesis-04: One last question was asked to get the customer perception about “Change of mind” return logic for extra delivery charge.

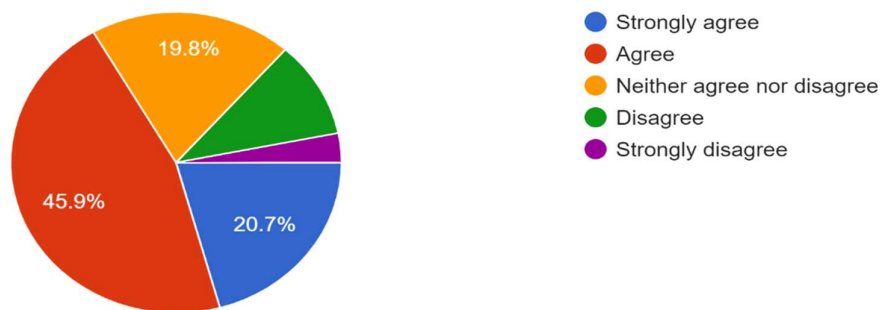
Based on a five-point ranging Scale where 1 = Strongly Agree to 5= Strongly Disagree.

$H_0 = \mu \geq 3$ – “Change of mind” option for return won’t affect customer purchase intention.

$H_1 = \mu < 3$ – “Change of mind” option for return will affect customer purchase intention.

I think, I will purchase more if the sellers give me the option of return for the reason of “Change of Mind” but I have to pay extra delivery charge.

222 responses



Mean = 2.29; SD = 1.01; Median = 2.00; 99% Confidence interval = [2.13,2.45]

For Null Hypothesis, One tailed test in normal distribution, For $\alpha = 1\%$, $z = -2.32$ & Test static value = -10.47

The test statistic > critical value, and p-value = 0%

Therefore, we can reject the null hypothesis. So, it is accepted that purchase intention will increase if the “Change of Mind” option is added in return options. There can be a “Win-Win” situation that both sellers and customers are satisfied.

Discussion and implications

The purpose of this study is to examine present situation of customer satisfaction about e-commerce return policies, how it will impact on purchase intentions and how to create a "win-win" situation for both sellers and customers. In this end, it is evident that most of the customers frequently receive products not as per expectation or defected. And they are not satisfied with the present return procedures, and they have cleared their perception that they will buy more from e-commerce if they are assured a clear and lenient return policy. And through this research, we get that customers are okay to pay slightly more to get a clear assurance of return, and through this, sellers can win the customer trust also. So, e-commerce sellers should give more focus on developing their return policies even with other criteria. “Change of Mind” option for return can also play a significant impact on purchase intention. Our research survey result says that the majority of customers want the option of "Change of Mind" even for extra delivery charge. This research result is showing the customer perception about present return policies and what they want from the sellers to place trust on them.

Limitations and future research avenues

While our findings regarding consumer satisfaction about the return policies and the sectors of improvements, we believe that our results are limited in several ways. First of all, there are a lot of criteria which are responsible for customer satisfaction and purchase intention without return policies. Secondly, model fitness cannot be measured because of having only one independent variable. Thirdly, the previous work in this area for Bangladesh is insufficient. Fourthly, this study does not focus on any specific field. Return intention and expectations may differ for products. Lastly, the proposals to develop or modify return policy requires in-depth research and accurate data and methodology.

So, future research can be on these aspects: 1. Return policy for specific product or industry. 2. With taking all variables to make a perfect model for customer satisfaction in the e-commerce industry of Bangladesh. 3. In-depth Research about how to develop a proper return policy which is cost-effective for both sellers and customers.

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Appendices

Hypothesis 01

Reliability Statistics

Cronbach's Alpha	N of Items
.671	4

Factor analysis

Communalities

	Initial	Extraction
I think It is easy to make returns the defected/mistaken products after receiving.	1.000	.695
I think the online stores have clear returns policy.	1.000	.656
I often have trouble getting the returned item from the shipping company.	1.000	.961
I am okay to return the product to seller on my own responsibility.	1.000	.533

Extraction Method: Principal Component Analysis.

Hypothesis 02

Reliability Statistics

Cronbach's Alpha	N of Items
.695	4

Factor analysis

Communalities

	Initial	Extraction
Sometimes I turn back from buying something online just in fear of getting defected products.	1.000	.691
If I find a clear and easy return policy, I won't hesitate to purchase.	1.000	.712
I will purchase more, if the sellers assure me that they will return defective product on their own responsibility.	1.000	.715
I will recommend this shop to others, if the seller return defective product on their responsibility.	1.000	.711

Extraction Method: Principal Component Analysis.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
How often do you get defected products from online purchases?	222	1	4	3.07	.625
How often do you receive products “not as per your expectation” or “not as per shown in picture”?	222	1	4	2.80	.617
Do you search for the return policies before buying in online platforms?	222	1	4	2.25	1.135
I think It is easy to make returns the defected/mistaken products after receiving.	222	1	5	2.85	1.211
I think the online stores have clear returns policy.	222	1	5	2.86	1.093
I often have trouble getting the returned item from the shipping company.	222	1	5	2.41	.903
I am okay to return the product to seller on my own responsibility.	222	1	5	2.97	1.161
E-commerce customers are not satisfied with present return logistics procedures	222	1.00	4.50	2.7715	.70979
Sometimes I turn back from buying something online just in fear of getting defected products.	222	1	5	1.94	.902
If I find a clear and easy return policy, I won’t hesitate to purchase.	222	1	5	1.61	.642
I will purchase more, if the sellers assure me that they will return defective product on their own responsibility.	222	1	5	1.52	.736
I will recommend this shop to others, if the seller return defective product on their responsibility.	222	1	5	1.65	.709
If sellers assure clear return policy that they will return the defected product on their own, then customers will buy more from e-commerce platform.	222	1.00	4.25	1.6787	.54435
Customers are okay to pay slightly higher price for a clear and hassle-free return policies.	222	1	2	1.06	.236
If the sellers give the option of return for the reason of “Change of Mind” by paying extra delivery fee, customers will purchase more.	222	1	5	2.29	1.013

Valid N (listwise)	222				
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