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Return to Sender!

Drivers and Consequences
of Online Product Returns

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Management Summary





Key insights and recommendations I

- High return rates are problematic and lower profitability in online retailing, and return rates vary across retail sectors.
- Return rates vary enormously across products: higher for more expensive products and lower for items on promotion.
- Return rates trend to go up over time.
- Important to incorporate customer product return behavior into customer value models and customer management.
- Return policies are important:
 - Return policies that offer monetary leniency have an effect on product returns, but restocking fees reduce purchases.
 - Effort leniency does not affect product returns but leads to an increase in purchases.
 - Time leniency: longer deadlines reduce return rates, and do not influence purchases.



Key insights and recommendations II

- It is crucial to provide accurate information to customers, not just more information:
 - Zoom and pictures may lower return rates, but the information should be accurate.
 - Information for customers to evaluate size and fit may help to lower return rates.
 - Product reviews influence return rates, but the average rating should reflect the actual product quality.
- Some customers consistently return purchased products (like a habit) whereas others do not return any product.
- Experience with the return process matters: Positive experience leads to increases future spending and positive referrals to the firm.



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Why product returns are important

