

Don't cut the tags off yet

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Merchandise returns are expensive for retailers, and yet lenient return policies can boost consumer demand. For retailers seeking guidance on balancing these concerns, an analysis of the impact of various return policies on both purchases and returns, forthcoming in the June 2016 issue of the *Journal of Retailing*, provides a nuanced perspective.

The article, "The Effect of Return Policy Leniency on Consumer Purchase and Return Decisions: A Meta-analytic Review," was written by Professors Narayan Janakiraman and Holly A. Syrdal of the College of Business at University of Texas, Arlington, and Ryan Freling of The Naveen Jindal School of Management at UT Dallas.

In order to conduct their analysis, the authors categorized the different types of return policies by their several dimensions, relating to time, money, effort, scope, and exchange. The leniency or strictness with which the retailer handles these dimensions will either drive demand or discourage returns.

These dimensions include such arbitrary parameters as the permissible time period during which returns are accepted; whether a customer gets a full cash refund or can only exchange an item; whether the would-be returner needs to write the reason for return; and whether sale items or items with the tags removed are returnable.

The authors found identifiable patterns in how the various combinations of these parameters affected a retailer's business. For example, in the case of two policies, one that offered 100 percent money back with a

30-day deadline, with the other offering 80 percent back with a 60-day deadline, the authors found that the first policy was more likely to affect purchases, with the second more apt to influence returns.

While overall, lenient return policies increased purchases more than they increased returns, the authors concluded, "Retailers may be better served by creating more complex return policies that vary along multiple dimensions" and according to category of items sold, rather than broad return policies that vary along any one or two dimensions.

More information: Narayan Janakiraman et al, The Effect of Return Policy Leniency on Consumer Purchase and Return Decisions: A Meta-analytic Review, *Journal of Retailing* (2016). [DOI: 10.1016/j.jretai.2015.11.002](https://doi.org/10.1016/j.jretai.2015.11.002)

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