Marketing study shows lenient return policy may increase sales

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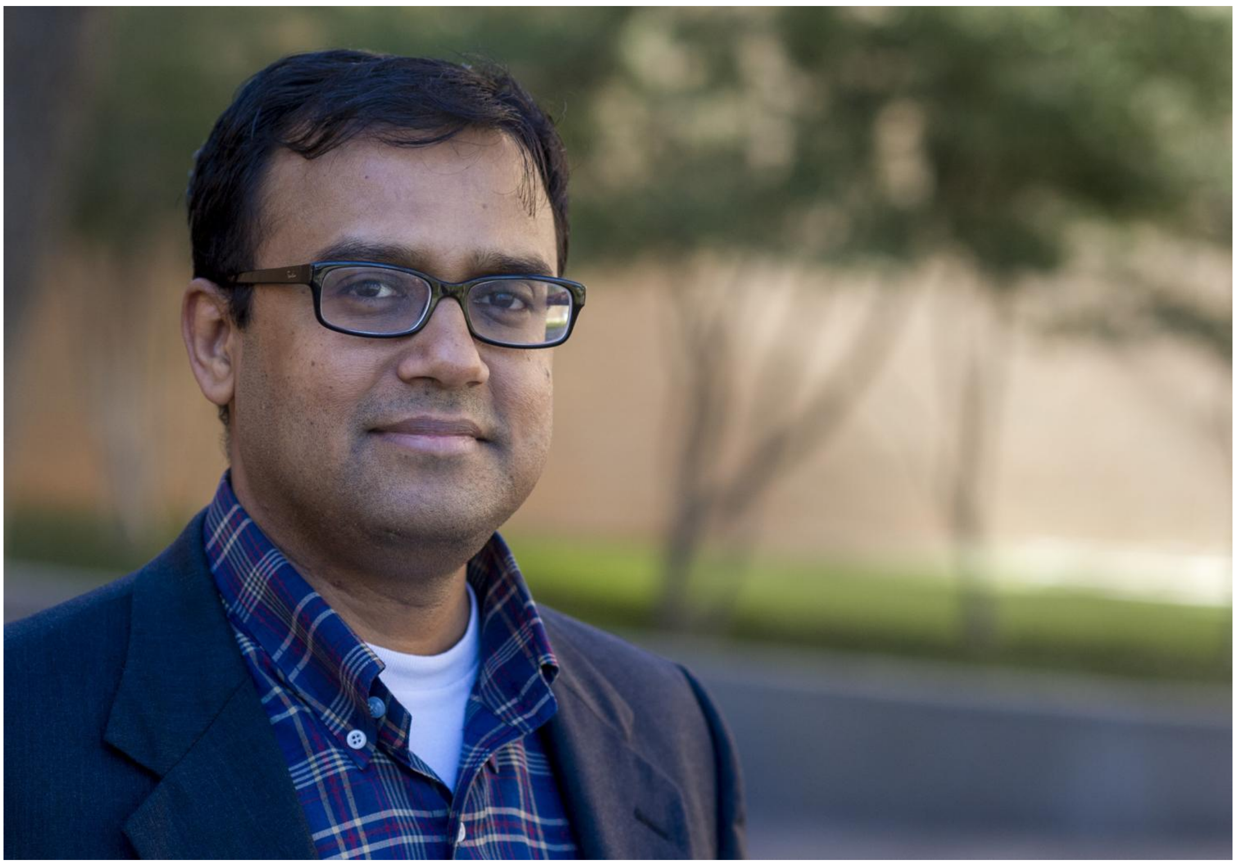

Narayan Janakiraman, is a UTA assistant professor of marketing in the College of Business. Credit: UT Arlington

A meta-analysis of retail return policies led by a University of Texas at Arlington College of Business professor may lead businesses to modify their policies to increase sales and reduce returns.

Narayanan Janakiraman, an assistant professor of marketing who specializes in consumer behavior, UTA doctoral candidate Holly Syrdal and University of Texas at Dallas doctoral candidate Ryan Freling recently published their conclusions in [The Journal of Retailing](#).

"The Effect of Return Policy Leniency on Consumer Purchase and Return Decisions: A Meta-analytic Review" analyzed 22 academic papers concerning return policies. The analysis reviewed five different dimensions: time, money, effort, scope and exchange.

The team looked at:

- Time leniency (for example a 60-day vs. 30-day return policy);
- Monetary leniency (for example offering a 100 percent, money-back guarantee vs. 80 percent money back);
- Effort leniency (for example no forms being required versus forms are required);
- Scope leniency (for example accepting returns on sale items versus not doing that);
- Exchange leniency (for example, cash back versus store credit).

Janakiraman discovered return policies that offer consumers more monetary rewards are likely to increase their consumer purchases.

Janakiraman also learned that businesses that want to curb or reduce returns should relax other aspects of return policies such as exchange leniency or scope leniency.

"There is an inherent belief among business that lenient return policies increases product purchase. While that is true sometimes, businesses must be wary of being too lenient," Janakiraman said. "This meta-analysis shows that retailers may be better served by creating more complex return policies that vary along multiple dimensions instead of just a few."

Fernando Jaramillo, chair of the Marketing Department, said Janakiraman's findings offer vital context for future business decisions.

"The study shows that lenient return policies do in fact encourage product purchase," Jaramillo said. "There is some benefit to retailers."

Jaramillo said Janakiraman's research is an example of the University's commitment to data-driven discovery, a core theme of the Strategic Plan 2020: Bold Solutions | Global Impact. The research combines existing data from multiple sources to uncover previously unobserved effects.

While most retail stores offer return policies, some offer more lenient return policies than others. The inherent belief is that lenient return policies are more likely to lead to purchases than to encourage returns.

The team showed that the return policy factors that increase purchases are money and effort leniency. That's different from the return policy factors that influence returns. The study showed that leniency increases returns while time and exchange leniency reduces returns.

Janakiraman offered an example.

"During the Super Bowl season, you have quite a few consumers who purchase a big-screen TV for the event and then return it after the game is played," Janakiraman said. "Those businesses need to tighten their return policies because a liberal return policy is costing them thousands of dollars. Selling TVs during that time of the year isn't the same as selling a pair of pants."

Janakiraman joined UTA in 2012 and has done prior research on the effect of effort and deadlines on consumer product returns and the psychology of the decisions to abandon because of waits for service. Janakiraman's research broadly focuses on understanding how consumers react to retail experiences and understanding the psychological processes that underlie consumer compliance.

Provided by University of Texas at Arlington

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