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Return Policy Signaling

An Explorative study of Swedish E-tailers'

SMMM20 - Master Thesis (30 ECTS)

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ABSTRACT

Purpose:

Return policies are an important component for consumers when making a decision to transact with an E-tailer, as such it is equally important for E-tailers' that the returns policy aids in this decision by reducing information asymmetry. While lenient return policies have the ability to influence the customer positively, they are also subject to opportunistic behavior from consumers, as such E-tailer's face considerable uncertainty about how to set returns policies.

This thesis aimed to confirm findings of previous research from the E-tailers' perspective, but more importantly aimed to test signaling theory and explore if there is a mismatch between what Swedish E-tailers' signal in their return policy verses how returns are handled in practice.

Methodology:

In order to fulfill the purpose of the study, a multiple case study was conducted where 35 companies were contacted with 13 taking part in the study. Cases were selected based on replication logic and telephone interviewing was used as a method, additionally content analysis was conducted on the online policies of the E-tailers' and further used for the analysis of the interviews.

Findings:

The findings in part confirm the ideas brought forward by previous research on return policies but from the E-tailers' perspective, additionally the results suggest that there is in fact a mismatch between what is signaled in the return policy and how returns are handled in practice. In summary Swedish E-tailers' are more lenient than what is signaled in their return policies.

Research Implications:

The in-hand thesis contributes to return policy research through finding a mismatch and proposes future research to investigate exceptions made on the returns policy through the theoretical lens of consumer satisfaction and consumer delight.

Practical Implications:

The in-hand thesis proposes that E-tailers' try to reduce information asymmetry as to how products not meeting the minimum requirements of the returns policy are handled, this could potentially create a more personalized view of returns and create repeat and loyal customers.

Keywords: Return policies, Signaling theory, Information asymmetry, E-commerce.

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Table of Contents

1. INTRODUCTION	5
1.1 BACKGROUND	5
1.2 PURPOSE AND RESEARCH QUESTIONS	7
1.3 DELIMITATION.....	8
2. FRAME OF REFERENCE	8
2.1 SIGNALING THEORY AND E-COMMERCE.	8
2.2 RETURN POLICY SIGNALS	10
2.4 CONCEPTUAL FRAMEWORK	12
3.METHODOLOGY	13
3.1 LITERATURE REVIEW	13
3.2 MULTIPLE CASE STUDY	13
3.2.1 Scope	13
3.2.2 Interviews.....	14
3.2.3 Operationalizing policy dimensions.....	16
3.2.4 Content analysis.....	17
3.3 CRITICAL EVALUATION	17
3.3.1 Validity.....	17
3.3.2 Reliability	18
3.3.3 Ethical consideration	18
4. EMPIRICAL FINDINGS	19
4.1 CONTENT ANALYSIS OF THE ONLINE POLICIES.....	19
4.1.1 <i>Descriptive text of the online policy findings</i>	22
4.2 CONTENT ANALYSIS OF THE INTERVIEWS	24
4.2.1 <i>Coding the interviews</i>	24
4.2.2 <i>Cumulative interview content</i>	27
4.2.3 <i>Importance of the policy</i>	30
4.2.4 <i>Policy Development & EU-regulation</i>	30
4.2.5 <i>Policy Market Evaluation</i>	31
4.2.6 <i>Policy VS Practice</i>	32
4.2.7 <i>General Remarks</i>	32
5. ANALYSIS & DISCUSSION	33
6. CONCLUSION	37
CONTRIBUTION AND MANAGERIAL IMPLICATIONS	38
CRITIQUE TO METHODOLOGY AND LIMITATIONS	39
FUTURE RESEARCH	40
REFERENCES	41
APPENDIX 1	45
APPENDIX 2	46

1. Introduction

The proceeding chapter introduces the problem background, the purpose and sets research questions for the current thesis. Additionally a delimitation section is included to define the scope of the research.

1.1 Background

The purchase of products comes at an opportunity cost as the financial resources used for obtaining one product cannot be used for obtaining another, consumers' therefore need to evaluate not only their needs but also the fit that certain products and services have towards their needs before they engage in a purchase. Return policies act as a risk reliever (Greatorex & Mitchell, 1994) as they allow consumers to undo their purchase decision upon gaining some experience with the product (Che, 1996). They can also be used as signals (Bonifield, Cole, & Schultz, 2010; Mavlanova, Benbunan-Fich, & Koufaris, 2012; Mavlanova, Benbunan-Fich, & Lang, 2016) to inform consumers of the retailers' flexibility and ease towards accepting returns i.e returns leniency.

While returns may result to a low selvage value for products and a high processing costs (Janakiraman, Syrdal, & Freling, 2016), market competition and regulation forces e-tailers' to have them in the hope of creating a better consumer purchase experience. Lenient return conditions are even considered by some e-tailers' as a means of increasing sales through attracting new customers, creating loyalty and creating repeat customers (Hjort & Lantz, 2016) and thus as a mode of coping with competition (Hjort, Lantz, Ericsson, & Gattorna, 2013).

Returns policy research is an emerging domain as its effects are not considered absolute (Bonifield et al., 2010; Janakiraman et al., 2016) and research in this area is still considered scarce (Hjort & Lantz, 2016). While there is a growing academic interest in returns policy research, the importance placed on returns by online consumers within Sweden has also increased over the years, an annual survey by PostNord (2008, 2009) found that 3% of the 2000 Swedish based respondents considered a simpler returns process as an important factor to consider when choosing to engage in online purchase rather than a brick and mortar store. This number increased to 7% in 2011 (PostNord, 2011) and a 2016 survey of approximately 1000 respondents indicates that 50% of the respondents consider clear returns procedure and information as very important when choosing an online store, additionally 39% consider it quite important, this translates to roughly 90% of respondents considering a clear return procedure and information as being very important or quite important (PostNord, 2016).

A different survey conducted by JDA and Centiro (2016, p. 9) that samples approximately 2000 Swedish based respondents found that “67% of consumers consider the ease of being able to return items as a factor in determining which retailer they shop with”. This ease of being able to return items can be considered the degree of leniency offered by e-tailers’.

The combined results of these surveys indicate that Swedish consumers are increasingly concerned about returns and that they put increasing effort into evaluating the degree of leniency signaled by an e-tailer’s returns policy in order to make a decision on whether to engage in a transaction. While this sheds insight into the growing importance placed on returns by consumer, it also puts forward that their actions are largely dependent on the information, procedures and process signaled by an e-tailer. This relationship has been studied by academics such as (Bonifield et al., 2010) who for example examined the effect of return policies as a signal for consumer purchase and returns decisions.

Consumers return products for a variety of reasons, some of these reasons are impulse buying (Cook & Yurchisin, 2017; Lantz & Hjort, 2013), purchasing several alternatives to evaluate best size, fit and product quality (Hjort et al., 2013) and information asymmetry about the product (Mavlanova et al., 2012; Mavlanova et al., 2016). According to a 2016 survey by JDA and Centiro (2016), Swedish consumers returned products because;

- The product information was insufficient and thus the product received was not as expected, of fit or compatible – 50% of consumers.
- The product was faulty – 24% of consumers.
- They chose to order several alternatives with the intent of returning those they did not want to keep – 12% of consumers.
- They reconsidered an impulse purchase – 7% of consumers.

This is interesting as only 24% of the returns were a direct result of faulty products whereas 69% percent was either due to the insufficient information provided by the e-tailer (50%) or the consumer’s behavior (19%). These represent a change in the purpose of returns as traditionally returns have been the subject of remedying faulty products (Che, 1996) but over time they have become the subject of insufficiently delivered or received signals regarding product quality and specification. Additionally they have become a function of a consumer’s preference and specific purchase behavior (Che, 1996). In the clothing industry for example, it is found that every fourth Swedish based consumer orders two or more items of different size or color with the intention to return the items that does not fit or with the color they did not like post purchase (JDA & Centiro, 2015). This behavior represents a risk for e-tailers as consumers purchase apparel with no intention to keep them (Foscht, Ernstreiter, Maloles-III, Sinha, & Swoboda, 2013; Hjort & Lantz, 2012).

These results highlight several problems as follows; they shed insight into the static nature of return policies and the e-tailers' inability to adapt them to ever changing consumer behavior. They also show the opportunistic nature of consumers towards lenient returns policies at the expense of the e-tailer.

The definition of lenient return policies as adopted in this thesis is policies that ***“not only allow refunds, exchanges, and merchandise credits, but also impose minimal restrictions on consumers making returns”*** (Bonifield et al., 2010, p. 1059). An issue that arises herein is that e-tailers' need to balance the costs associated with handling returns without losing sales from having onerous returns policies, as such ***“E-tailers' face considerable uncertainty about how to set returns policies”*** (Bonifield et al., 2010, p. 1058). Researchers attempting to identify the optimal level of leniency and restrictiveness such as (Davis, Hagerty, & Gerstner, 1998) have concluded that retailers are more likely to offer a low-hassle returns policy i.e lenient return policy if (1) Product attributes cannot be consumed over a short time period (2) The product offers the possibility for salvaging at a high value or (3) Cross-selling is possible to a consumer returning a product.

1.2 Purpose and research questions

As introduced in the section above, the returns policy is an important component for consumers when making a decision to transact with an e-tailer, as such it is equally important for e-tailers' that the returns policy aids in this decision by reducing information asymmetry.

This thesis aims to confirm findings of previous research from the e-tailers' perspective, but more importantly this these aims to test signaling theory and explore if there is a mismatch between what Swedish e-tailers' signal in their return policy verses how returns are handled in practice. To investigate this the author intends to gain familiarity and insight into what Swedish e-tailers' communicate in their returns policies and try to understand what the returns policy means to the company and its consumers from the perspective of the e-tailers'.

In addressing this aim, the author poses the following three questions;

- 1) What do Swedish e-tailers' communicate in their return policies?
- 2) What do return policies mean for e-tailers'?
- 3) Is there a mismatch between what is signaled in the returns policy versus how returns are handled in practice?

To the author's knowledge, most literature on return policies has employed experimental designs or used mathematical modeling focused on the consumer; by focusing on the e-tailers' perspective the author approaches the research area at an

alternative angle. Additionally the author is able to test signaling theory with respect to e-commerce and returns policies.

1.3 Delimitation

The scope of this thesis is limited to understanding the return policies of Swedish e-tailers, as such the focus is placed on policies pertaining to the online portion of the business in the case that an e-tailer also has a physical store. Additionally the unit of analysis is the company and their returns policy.

The target audience of this thesis is anyone with an interest in e-commerce, returns management and returns policies. As the thesis aims to contribute to returns policy research, the results may be of interest to academics and to e-commerce companies wishing to use returns policies more strategically.

2. Frame of reference

The proceeding chapter entails a literature review on signaling theory in the frame of e-commerce, additionally literature on returns policies is examined.

2.1 Signaling Theory and e-commerce.

Information is key to decision making, as such e-consumers rely on cues and signals from sellers when choosing to engage in a transaction (Mavlanova et al., 2012; Mavlanova et al., 2016). Connelly, Certo, Ireland, and Reutzel (2011) argue that the decision making process used by businesses, governments and households is affected by the information available.

Signaling theory essentially addresses information asymmetry and posits that when two parties have access to different information, the party wishing to convey certain information must choose how to communicate or signal such information to the receiver, additionally the receiving party chooses how they wish to interpret such signals (Connelly et al., 2011; Spence, 2002; Taj, 2016). Information asymmetries arise when information that could be used to make better a decision is withheld by those with access from those without access (Connelly et al., 2011).

According to Connelly et al. (2011), signaling theory is composed of three elements, (1) The signaler, (2) The signal, and (3) The receiver. The signaler is considered an insider such as an executive or manager who has positive or negative information that is not available to outsiders but could be useful, this information could concern an organizations services or products for example. The receiver is considered to be an outsider who lacks but would like to receive certain information, this being consumers for example in the ecommerce context. As for the signal, this is any action taken by

the better-informed party to communicate certain aspects to a less-informed party in a situation of information asymmetry (Lee, Ang, & Dubelaar, 2005).

The signaler – receiver relationship works in a dyadic manner, this is to say that signalers expect some sort of feedback to confirm that the signals are being paid attention to and being interpreted as intended by receivers (Connelly et al., 2011; Taj, 2016). As such signaling is expected to be of strategic effect (Connelly et al., 2011; Mavlanova et al., 2012; Taj, 2016) in that the actions of the receiver benefit the signaler. This creates conflicting interests between the signaler and receiver as opportunistic behavior and deceptive signals could be used to benefit the signaler at the expense of the receiver (Connelly et al., 2011; Mavlanova et al., 2012; Mavlanova, Benbunan-Fich, Koufaris, & Lang, 2015). Strategic signaling therefore signifies the actions taken by a signaler to influence behavior and views of receivers (Mavlanova et al., 2012)

As previously introduced, the signaler – receiver relationship is dyadic and a signal is subject to receiver interpretation. It is therefore natural that the effectiveness of a signal is to an extent reliant on the characteristics of the receiver (Connelly et al., 2011) i.e whether they are aware of the signals or where to look for them.

The theory of signaling has been applied to a variety of fields and was first introduced by Spence (1973) when describing information asymmetry that occurs in the job seeking process, he argued that employers are not aware of a candidates capabilities beforehand and that candidates may not have enough information of the company or the role beyond that signaled by the company. As such, he argued that an applicant's education could act as a distinguish signal to prospective employers, and that employers should consider the signals they put forward. Like the job market, information asymmetry can also be found in other markets (Spence, 2002) such as within e-commerce (Lee et al., 2005; Mavlanova et al., 2012; Mavlanova et al., 2016). Unlike brick and mortar, the nature of e-commerce prevents consumers from examining products prior to purchase and as such an e-tailer's return policy plays a significant role in a consumers purchase behavior (Hsiao & Chen, 2012). This creates reliance on the information presented by e-tailers' and poses the risk of information asymmetry as the e-tailers' objectivity may be in question (Mavlanova et al., 2012).

In the e-commerce context, signaling theory has been used to explore how IT enabled cues affect consumer perception (Xiao, Guo, D'Ambra, & Fu, 2016), additionally the seller-buyer relationship in signaling theory has been used to understand the signals sent by sellers to reduce information asymmetry and aid the buyer in making a more accurate decision (Mavlanova et al., 2012; Mavlanova et al., 2016). The theory has been used for example to describe how sellers signal unobservable product quality (Kirmani & Rao, 2000), how money back guarantees signals quality (Moorthy & Srinivasan, 1995), how return policies can be used as signals for consumer purchase and returns decisions (Bonifield et al., 2010), how consumers perceive deceptiveness

of websites (Mavlanova et al., 2015), how website quality can influence purchase intentions (Wells, Valacich, & Hess, 2011) and how consumer trust can be evoked and loyalty developed through signaling (Xiao et al., 2016).

E-tailers' use signals as part of their digital strategy and as a means of differentiation towards competition (Mavlanova et al., 2016). E-tailer's may display both internal and external signals with the intention to influence consumer perception towards the seller, product quality and to influence their purchase intention (Mavlanova et al., 2016). Internal signals are the result of a seller's intention to project a certain image or convey a specific company policy, such signals include the displaying of privacy or returns policies as they signify a promise from the seller (Mavlanova et al., 2016). Alternatively, external signals are those that come in the form of endorsements, affiliation or verification from a recognized third party company that essentially convey legitimacy (Mavlanova et al., 2016). It can therefore be noted that different signals require different investments, getting a verification for example may be accompanied with a direct financial cost in comparison to making available a policy (Mavlanova et al., 2016), Signaling therefore is most effective in conditions where pre-purchase information about quality is scarce and firms likely prefer to use inexpensive signals (Kirmani & Rao, 2000). Return policies as internal signals are therefore of interest to this thesis, the policies themselves are seen as a signaling medium and the content within them as the desired information to be communicated.

2.2 Return policy signals

Return policies can either be considered restrictive or lenient, this being based on the level of ease or difficulty placed on returning a product. Wood (2001) for example classifies leniency in returns policies in terms of the time given to consumers to return a purchase, whether returns are questioned, whether compensation is given in store credit or cash and whether items bought on sale can be returned. Alternatively Davis et al. (1998) discuss the level of restrictions in returns policies as; the strict time limits for returns, requiring original packaging for returned products, requiring the product to be unopened or unused, and offering store credit rather than cash back for returned merchandise. Hsiao and Chen (2012) further add that charging handling/restocking fees or non-refundable shipping and returns cost also add to the restrictiveness of a returns policy. This restrictiveness for example is termed as the level of "hassle" or the effort and non monetary cost that the consumer needs to incur in order to return the product, Davis et al. (1998) argue that imposing "hassles" rather than monetary costs is more advantageous as "hassles" are difficult to quantify and therefore likely to be perceived less negatively by consumers. However the challenge is in finding an optimal level that discourages returns while encouraging purchases. This similar challenge is seen when considering returns policy leniency as e-tailers' need to avoid the possibility of a moral hazard in the form of opportunistic returns while still being lenient (Che, 1996; Davis et al., 1998; Harris, 2010; Hjort & Lantz, 2012; Lantz & Hjort, 2013; Wood, 2001), it can therefore be said that restrictiveness and leniency are

two sides of the same coin.

Through a Meta-analytic review of return policy literature on consumer purchase and return decision, Janakiraman et al. (2016) synthesizes the return policy factors identified in other studies and concludes that leniency can be communicated along the following dimensions.

- **Time leniency.** The specified time for returning a product.
- **Monetary leniency.** The amount of monetary refund allowed to a consumer.
- **Effort leniency.** The amount of effort or hassle the consumer undergoes in order to return the product.
- **Scope leniency.** The type of purchases or products that may be returned.
- **Exchange leniency.** The type of compensation offered to consumers returning products, i.e store credit or product exchanges.

Where being more lenient means offering a longer returns period, full monetary refund, less returns hassle i.e in the form of requiring original tags, receipts or packaging, accepting all products returned, and offering monetary refund instead of forcing store credits or product exchanges. The Opposite is considered as having less lenient or restrictive policies.

Opinions differ as to the use of restrictive or lenient return policies (Bahn & Boyd, 2014). Lenient return policies though valued by customer are often abused (Bahn & Boyd, 2014; Lantz & Hjort, 2013; Wang, 2009; Wood, 2001) either through retail borrowing i.e purchasing, using and returning a product after need fulfillment, purchasing multiple products with the intent to return some, or returning damaged products that are not easily verifiable. This opportunistic behavior could be mitigated through employing a restrictive returns policy (Bahn & Boyd, 2014), however such policies could be interpreted as negative signals by consumers (Wood, 2001). Return policies as signals have been studied by Bonifield et al. (2010); Kirmani and Rao (2000); Wood (2001) in different research contexts.

Wood (2001) found that return policy leniency resulted in generally a more positive product quality rating amongst participants, both pre purchase and post purchase. (Kirmani & Rao, 2000) concluded that money back guarantees and warranties could be considered signals of product quality and Bonifield et al. (2010) found that low quality consumable goods e-tailers' set relatively lenient return policies, likely to compensate for their low quality or to stay competitive. All these studies provide insight into how the returns policy can be used as a signaling medium.

2.4 Conceptual Framework

The figure below represents a visual overview of the authors understanding of signaling theory in relations to returns policies.

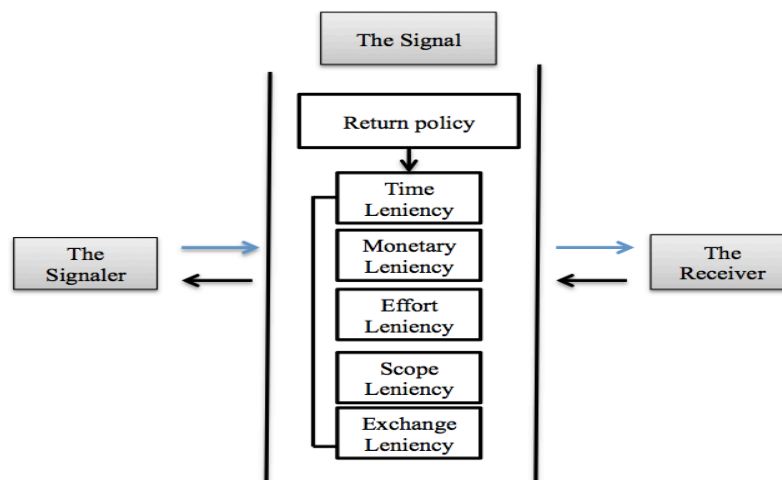


Figure 1: E-commerce returns policy signaling framework. (Author's Own)

As seen in the figure above, the conceptual framework is made up of three components consistent with signaling theory (Connelly et al., 2011) ie (1) The signaler, (2) The signal, and (3) The receiver. Additionally the return policy dimensions identified by Janakiraman et al. (2016) are considered part of the signals sent out in return policies as they represent the content of the returns policy.

As per the purpose of this thesis, the signaler is the e-tailer, the signal is the returns policy and its dimensions, and the receiver is the consumer. E-tailers' signal to their consumers the propositions they offer through the returns policy and hope that they will be interpreted and affect a consumers decision to purchase, return or keep a product. Alternatively the role of e-tailers' and consumers is reversed after the consumer interprets the signal as their utilization of the signal can provide a form of informational feedback to the e-tailer.

While the interest of this thesis is limited to examining the relationship between the signal and the signaler, it should be noted that the e-tailer's perspective on the consumers i.e receivers is also considered.

3.Methodology

The proceeding chapter introduces the research method and guides the reader on the authors reasoning behind the choice of certain methods and approaches. To begin with, the literature review process is described and followed by the choice of a multiple case study design. Thereafter, the author shortly discusses the operationalization of the study. Furthermore, qualitative content analysis, short semi structured interviews and the process of analysis is explained as applied in the study.

3.1 Literature review

In order to identify what has been done in the area of interest and provide a framing for the thesis, a literature review was conducted. The review enable the author to attain a broader understanding of the phenomenon being studied i.e return policy signaling and allowed for the continuous revision and evaluation of the relevancy of the research question. The collected literature consisted of scientific articles as scientific articles are considered to contain more up to date information in research disciplines (Patel & Davidson, 2011).

Web of Science, Scopus, Business source complete and the Lund University's official database (LUB-search) were used in conjunction to insure a wider reach of relevant articles. Additionally, the author considered the impact factor of the journals where the articles were found and revisited the aim and research question to enable the selection of relevant articles. Elements of a systemized search were applied across the databases for search consistency and the author used Boolean operators (And, Or, Not) with keywords such as; *Signaling theory, Consumer behavior, E-commerce, Return policy, Consumer purchase behavior, Product returns, online Commerce, Consumer returns*. Additionally the author examined the references used in the articles that seemed most relevant so as to identify other literature that could be of potential contribution.

3.2 Multiple case study

3.2.1 Scope

A case study is used when investigating a phenomenon in a real life context with the aim of gaining in-depth understanding (Yin, 2009). For the purpose of this thesis the phenomenon is the mismatch between e-tailers' return policies and how they handle returns in practice, as such a multiple case study design is used as it fits the purpose of the thesis. Also a multiple case design was chosen as it provide more compelling evidence in comparison to single case studies and as allow the exploration of similarities and differences between and within cases, this provides for more robust reliable findings (Yin, 2009).

Yin (2009) urges that for a multiple case study, the selection of each case should be carefully based on its ability to (1) predict similar results i.e literal replication or (2) predict contrasting results for anticipatable reasons i.e theoretical replication. For the purpose of this thesis, cases were selected based on literal replication. This was done as the phenomenon being studied and the theory being applied do not suggest an anticipatable reason for contrasting results, additionally literal replication logic was used because it allowed to narrow down the research and focus the study thus enhancing the reliability of the study.

Following literal replication logic, the following criteria was used for e-tailer selection (1) E-tailers' operating in the local Swedish market, (2) E-tailers' operating in the same industry, (3) E-tailers' focusing on similar consumer segments. The selection beyond the three criteria was purposive in nature to find suitable cases. Selecting cases within the same industry in the same market and targeting similar groups of consumers essentially means that they face similar minimum requirements for operating and addressing consumers in the return policy.

The fashion industry was considered interesting for the purpose of this research and testing signaling theory because (1) There is a trend towards more lenient returns policies in fashion e-commerce (Hjort & Lantz, 2016), while at the same time (2) The industry is subject to retail borrowing and the purchase of products with no keep intention (Hjort & Lantz, 2012). These conflicting forces raise interest into understanding the return policies and content of fashion E-commerce companies.

To be more specific, cases i.e the companies, were selected if they operated locally in Sweden, were in the fashion industry and sold apparel for men, women or children.

3.2.2 Interviews

For the purpose of this thesis the author's target interview respondents were

1. E-commerce Managers or E-commerce responsible.
 2. Marketing Managers, Communications Managers or Online marketing Managers.
 3. Operations Managers.
- Or
4. Warehouse Managers.

Representatives in these positions were selected for three main reason, (1) Their positions likely required them to have knowledge of the returns policy on more than a superficial level (2) They were assumed to have a deeper understanding of the organization and therefore offer more credible insight. (3) Signaling theory suggests management or executives are signalers of information regarding an organizations services and products.

It should be noted however that company titles may differ for individuals holding similar responsibilities and therefore a variation of the above was expected. Equal priority was placed on getting representatives in the above positions as their participation was based on availability. Representative were identified via LinkedIn and contacted directly through calling the company and requesting access, when phone access wasn't given an email address was requested for the representative, when access was denied for the previous two methods, LinkedIn was used to contact the representatives; however it proved to be less effective.

Considering the nature of the respondents' positions, it was even more challenging to get participation due to limited time, busy schedules or simply because they were getting many similar requests. As such the interview guide was intentionally developed to have a few questions i.e 7 questions, and last approximately 15 minutes so as to increase the chances of getting a response from the targeted respondents. For the purpose of this study 15 minutes was seen as a sufficient duration.

The author reached out to 35 companies and a total of 74 representatives. 13 out of the 35 companies took part in the research, however 1 company/interview had to be excluded because the representative had more insight over operations in the physical store than E-commerce and was fairly new in the company. For competitive reason the companies preferred to remain anonymous and therefore are referred to as C1 through C13 for the rest of the thesis, bellow is a table showing when the interviews were conducted, the position of the person being interviewed and the duration of the interviews.

Date	Company	Interviewee's Current Position	Interview Duration (Mins)
2017-04-05	C1	Distribution Manager	15
2017-04-06	C2	Operations Manager	22
2017-04-10	C3	E-commerce Business Developer	15
2017-04-13	C4	Global E-commerce distribution Manager	8
2017-04-19	C5	Head of E-commerce	8
2017-04-28		Head of Ecommerce Logistics	18
2017-04-20	C6	E-Commerce Manager	17
2017-04-21	C7	Director of Logistic	22
2017-04-28	C8	Business Developer	15
2017-04-28	C9	E-commerce Business Developer	30

2017-05-04	C10	Supply Chain Manager	20
2017-05-05	C11	Supply Chain Manger	25
2017-05-15	C12	Logistics Manger	38
2017-05-16	C13	Web-Store Manager / Logistics Manager	24

Table 1: Interview duration and respondent position

As seen from the table above, the interview duration varied depending on the depth of the answers provided by respondents. In C4 for example, the interview duration was shorter than expected as the representative knowingly provided straightforward answers and refrained from providing more insight despite the authors attempt to ask follow up questions. The interview with the first representative of C5 was also shorter than expected however for different reasons, the representative was rushing to a meeting and didn't have much time to spare, the author however managed to get a second interview with another representative to complement the first one.

Conducting multiple case studies can be resource intensive and require a lot of time (Yin, 2009) as such telephone interviewing was used (Bryman, 2012) as the representatives were located in different cities, this offered a cost effective means for collecting data but also allowed the author to save time. Telephone interviewing also provided respondents flexibility to reschedule the interviews at short notice.

The interviews were semi-structured in nature and an interview guide (see appendix 1) was prepared to structure the discussion, semi structured interviews were chosen for the flexibility they allow on asking follow up questions based on the interviewee's responses (Bryman, 2012)

3.2.3 Operationalizing policy dimensions

It is important for the purpose of this study to define what is considered lenient and what is considered restrictive in regards to E-commerce in Sweden, this is done by examining the mandated returns requirements set by the EU (2016) and classifying them under the five leniency dimensions suggested by Janakiraman et al. (2016). Following Janakiraman et al. (2016) returns leniency dimensions, Swedish e-tailers' are expected to offer the following as a minimum;

- **Time leniency.** 14 days.
- **Monetary leniency.** A partial refund if the returned product cannot be salvaged at full value, a full monetary refund otherwise. Consumers can be charged for return shipping.
- **Effort leniency.** Proof of purchase should be provided by the buyer and the seller informed about the return of a product.
- **Scope leniency.** All products may be returned except for products that quickly deteriorate, newspapers or periodicals, unsealed audio / video or

computer program CD's, cultural or sporting event tickets, customized products or products made specifically for the consumer.

- **Exchange leniency.** Not specified (but favoring monetary leniency).

3.2.4 Content analysis

Documents are often the subject of content analysis and websites are considered a form of virtual documents (Bryman, 2012), the use of content analysis on websites has been done by (Mavlanova et al., 2016) for example in identifying internal and external signals used by e-commerce websites and therefore posits an appropriate approach. This thesis applies qualitative content analysis on the return policies made available on an e-tailer's website and codifies the content using Janakiraman et al. (2016) leniency dimensions, thus utilizing a deductive approach to qualitative content analysis (Bengtsson, 2016). As the return policies of the e-tailers' have not been produced specifically for the purpose of social research, they provide a readily interesting point for data collection. It should however be noted that documents are not transparent representations of organizational routines or decision making processes, therefore we cannot learn how an organization actually operates day by day from documents alone (Atkinson & Coffey, 2011). This provides further motivation to investigate a mismatch between what is written in the returns policies verses how returns are approached in practice. For the purpose of this thesis, return policies as documents are not necessarily used to crosscheck oral accounts from interviewed representatives but also to provide a descriptive context of the companies policies (Atkinson & Coffey, 2011), however the online policies may also be used for triangulation (Bryman, 2012).

Qualitative content analysis was also utilized to allow the efficient and structured comparison of the interview responses, similar to the content analysis of the returns policies, it was approached deductively based on the predetermined categories arising from the literature review and introduction, however the author also paid attention to potential emerging themes. Latent rather than manifest content analysis was preferred as it allowed the author to identify and interpret hidden meanings (Bengtsson, 2016) and present the findings in a uniform way, however the author tried to stay as close to the original content as possible.

3.3 Critical Evaluation

3.3.1 Validity

Validity is an important part of any research as it contributes to the deduced quality of the research design (Yin, 2009), the data collection process was approached systematical with the same dimensions being applied to every company's policy in regards to the content analysis of their online policies, additionally one interview guide was utilized for all respondents. Furthermore, the utilization of more than one method contributes to the validity of the study as it provides a form of triangulation

(Bryman, 2012). A pilot interview was also conducted as per Bryman (2012) suggestion, for the purpose of testing the type of responses the interview guide would elicit and to allow the potential modification of the interview questions, additionally this provided an indication of the duration each interview would take.

As this thesis utilizes a multiple case study design with 13 cases participating, the external validity can be considered high as the mismatch seems to be present across the different cases. A high external validity also means that the results and implications of the study may be generalizable to other similar cases and similar context (Yin, 2009).

3.3.2 Reliability

To increase reliability and advocate transparency, the different procedures used during the course of this thesis have been provided at various stages. To begin with, the databases and major keywords used for obtaining the articles used in the theoretical background have been provided. Secondly, an explanation of how the case selection and data collection was approached has been explained. Thirdly an explanation as to how data analysis was to be conducted has also been provided, together with the interview guide used.

The procedures and processes expressed at the various parts of these thesis should be sufficient and allow for other researchers to conduct a similar study, thus fitting the description of reliability provided by Yin (2009).

3.3.3 Ethical consideration

Ethical considerations were made during the course of this research. Prior to any interviews, the author prepared a research participation invite (see appendix 2) that was sent out to company representatives with information about the research and what participation would entail. Due to concerns expressed by some of the companies, the interview questions had to be sent beforehand so as to insure the questions were not intrusive or of sensitive nature to the company, the representatives were also informed that their participation was voluntary, that they would remain anonymous and that they may withdraw from the study at any time. Furthermore consent was received in regards to recording the interviews for analysis purposes and transcripts were sent to the representatives post-interview, which allowed them to look through their responses and confirm the content.

4. Empirical Findings

This chapter presents the empirical findings of the study. It begins with a table presenting the content analysis of the online policies, followed by a descriptive text eliciting the observations and patterns.

The same is done for the content of the interviews.

4.1. Content Analysis of the Online Policies

Company Policy Dimension	C1	C2	C3	C4	C5
Time Leniency	14 days	14 days	14 days	14 days	30 days
Monetary leniency	-Full or Partial refund -Paid returns, 55 kr	-Full or Partial refund -Paid Returns, 45 kr	- Full or Partial refund -Paid returns, 39 kr -Invoice fee, 29 kr	- Full or Partial refund -Paid returns, 36.90 kr	- Full refund -Paid returns, 39 kr -Invoice fee, 29 kr
Effort Leniency	-Contact required -Original Condition -Return slip provided -Original packaging preferred	-Contact not required -Original Condition -Return slip provided -Original packaging preferred	-Contact not required -Original Condition -Original Tags -Return slip provided -Original packaging required - Receipt required if returned at physical store	-Contact not required -Original Condition -Return slip provided -Original packaging required -Receipt required if returned at physical store	-Contact not required -Original Condition -Original Tags -Return slip provided -Original packaging required -Receipt required if returned at physical store
Scope Leniency (Limit on)	-Skincare products, hair products & perfume sets (if unsealed) -Customized products / Special orders	-Cosmetics, Perfume sets, color, Swim wear, Underwear, audio/video/ program CD's, (if unsealed) -Customized products / Special orders	-Earrings, sale items. - Underwear & Swimwear (unless sanitary liners are intact)	-Cosmetics, Swimwear, Underwear, Accessories & Gift cards (Purchased online may not be returned in the store)	-Items sold per meter, items normally not sold by the e-tailer's physical or online store. -Underwear & Swimwear (unless sanitary liners are intact)
Exchange Leniency	- Money Back	-Money Back	-Money Back - Free Returns/ Exchange in physical store	-Money Back if payment made by card - Free Returns/ Exchange in physical store -Sale items refunded with store credit -Items bought with invoice online are refunded with store credit if returned to physical store	-Money Back -Free Returns/ Exchange in physical store

Rahim Ladha Saleh
SMMM20 – 2017

Company Policy Dimension	C6	C7	C8	C9	C10
Time Leniency	14 days	14 days	30 days: By card 14 days: By invoice	14 days	180 days
Monetary leniency	-Full refund -Paid returns, 40 kr	-Full refund -Paid returns, 34,90 kr -Invoice fee, 19 kr	-Full or Partial refund -Paid returns, 50 kr	-Full or Partial refund -Free returns	-Full refund -Free returns
Effort Leniency	-Contact not required -Original Condition -Return slip provided -Original Tags -Original packaging preferred	-Login to website required -Original Condition -Return slip provided -Original Tags -Original packaging preferred -Receipt required if returned at physical store	-Contact not required -Original Condition -Return slip provided -Original packaging not required	-Login to website preferred (not required) -Original Condition -Return slip provided -Original Tags & seals -Original packaging preferred (but required for shoes in undamaged condition)	-Contact not required -Original Condition -Return slip provided -Original Tags & seals -Original packaging required
Scope Leniency (Limit on)	-Underwear, Body piercing jewelry (unless faulty) -Swimwear (unless sanitary liners are intact)	-Cosmetics, Earrings, Gift cards, Swimwear & Underwear	-Underwear	-No content	-No content
Exchange Leniency	-Money back	-Money Back - Free Returns/ Exchange in physical store	-Money Back - Free Returns/ Exchange in physical store	-Money Back or Store credit	-Money Back

Rahim Ladha Saleh
SMMM20 – 2017

Company Policy Dimension	C11	C12	C13
Time Leniency	14 days	14 days	14 days
Monetary leniency	-Full refund -Free returns	-Full or Partial refund -Free returns	-Full or Partial refund -Paid returns, 39 kr
Effort Leniency	-Original Condition	-Contact not required -Original Condition -Return slip provided -Original Tags	-Contact not required -Original Condition -Return slip provided -Original Tags -Receipt required if returned at physical store
Scope Leniency (Limit on)	-Underwear, Lingerie & Earrings (Unless faulty)	-Underwear & Swimwear (unless still sealed in packaging)	-No content
Exchange Leniency	- Money Back	-Money back -Free Returns/ Exchange in physical store	-Money back -Free Returns/ Exchange in physical store

Table 2: Content analysis of the online policies (3 tables)

4.1.1 Descriptive text of the online policy findings

The results of the content analysis suggest several similarities and minor differences between the return policies of the companies studied. The similarities support literal replication (Yin, 2009) as this respective logic was used for case selection.

To begin with, a general comparison of the return policies suggest that a 14 day return period is common, with 10/13 companies offering this to their customers as part of time leniency. Only 2/ 13 companies could offer up to 30 days time leniency, and 1/13 offered more than 30 days.

5/13 companies offer full refund on products returned while the remaining 8/13 offer either full or partial refund. The companies offering partial refund may be considered stricter than their counterparts as the refunded amount is reduced despite the product being accepted. Additionally only 4/13 companies offered free returns shipping, the remaining 9/13 companies charged for returns shipping. Furthermore 3/13 companies also charged a fee for invoices.

In regards to effort leniency, most companies 10/13 did not require consumers to login or contact the company before returning the product. All companies' emphasized products be returned in original condition i.e clean, undamaged and unwashed. 8/13 policies reflected the requirement to return products with original accompanying tags. All with the exception of 1/13 companies seemed to provide the return slip already in the package when sent out. 5/13 companies preferred products be sent back in original packaging and another 4/13 had it as a requirement, the other 3/13 companies did not state anything in regards to the packaging and 1/13 explicitly stated original packaging was not required nor preferred but that consumers could use their packaging of choice. Out of the 5 e-tailers that preferred the products to be sent back in original packaging, 1 had the exception in place for "shoes" arguing that the box/package is part of the product and this should be sent back undamaged.

As for scope leniency, there is less convergence and more differences amongst the companies' policies, this is due to the fact that while the e-tailers' operate in the same market and industry, they do not necessarily carry all the same products. To give an example, in addition to selling apparel C3 also has cosmetics as part of their offering but this is not something that is part of C8's assortment. In general the content analysis of the scope dimension suggests that products such as undergarments, swimwear and cosmetics are subject to more restriction. Additionally only some of the companies in the study seem to accept the returns of swimwear and undergarment under the condition that the sanitary liners are intact, while others accept returns of swimwear only and others do not accept returns of these products at all. Items on sale, customized / special products, items sold per meter, gift cards, audio/video/ program

CD's and Perfumes are among other categories of products facing stricter returns if unsealed.

In terms of Exchange Leniency, the norm seems to be money back with all 13 companies offering this option; only 1/13 company's return policy states that store credit may also be given instead of money back. Additionally the 7/13 companies having physical stores seemed to emphasize that returns/exchanges be made to their physical stores for convenience and to save customers the cost of incurring return shipping.

In general the results of the content analysis suggest that the companies in the study tend to gravitate towards (1) A 14-day return policy, (2) Charging a returns shipping fee, (3) Offering partial refund for depreciated products, (4) Requiring a return in original condition (5) Providing a return slip (6) Not requiring contact before returning a product (7) Being stricter on returns of undergarment and swimwear (8) Offering Money back.

4.2 Content Analysis of the interviews

4.2.1 Coding the interviews

The table below provides an overview and sample of how the author approached the qualitative content analysis of the conducted interviews; C2 & C3 were used as examples as they provided rich content. It should be noted that while most cases have similar ideas and themes, each case has its own distinguished components and therefore the author attempted to capture these in Table 4 titled “Cumulative content analysis of the interview responses”, as such some codes required a variation in the wording

Interview Qn / Theme	Code / Category	Quote from the interview
Importance of policy (Q3)		N/A
	Stimulate purchase	“That is the trick to get a new order, that it’s free, of course it becomes a commercial thing. It’s the same as other things, discounts or giveaways, it’s a way to attract for purchase” (C2)
	Internal process uniformity	“it has made it much easy for us to set up the process internally” (C3)
		“you need to have return rules to configure a system” (C2)
	Marketing	N/A
		“we can sort of be more generous and if its commercially valid than we push it as a marketing thing” (C2)
	Post purchase Experience	“I think it is a key for them to place an order really and of course also to have a good post-experience purchase so that they come back to us” (C3)
		N/A
	Drives traffic to the store	“it really drives traffic to the store the returns” (C3)
		N/A
Policy Development (Q4)	EU regulation as framework	“it has provided us with this mutual set up for all the EU courtiers; it has been a good initiative” (C3)
		“I would say the overall rules are set by the distance selling

		<i>rules, I mean that's what creates the framework for the policy" (C2)</i>
	The function responsible	<i>"Its an Omni decision and the returns policy of each country is decided by the country manager together with an e-commerce manager" (C3)</i>
		<i>"from March this year we have established what you can call a CMO function – Chief marketing officer where they have the full end to end CRM or customer responsibility, so this part will be part of their responsibility" (C2)</i>
	Evolved through Experience with customers	<i>"its something that has been developed from years-on, from the experience we have with our customers" (C3)</i>
		<i>"in a way the policy evolved by experience" (C2)</i>
	National Law	N/A
		<i>"Of course we follow EU and local laws" (C2)</i>
	Physical store	<i>"we really have the same policy online as we have in the store so its quite an old policy I guess" (C3)</i>
		N/A
	EU-Regulation (Q5)	Used as guidelines
<i>"I would say the overall rules are set by the distance selling rules, I mean that's what creates the framework for the policy (C2)</i>		
Policy Market Evaluation (Q6)	More Generous	N/A
		N/A
	Hasn't compared	N/A
		N/A
	Around the same	<i>"I would say equal" (C3)</i>
		<i>"It's around the same for sure" (C2)</i>
Policy Vs Practice (Q7)	Exceptions made	<i>"We make exceptions, we do accept returns after 30 days, I mean by a couple of days we don't really have exact rules how many days but we do make exceptions" (C3)</i>

		<p><i>“we have sort of a second opinion function, so an operator can if they have doubts, lets say the returns is 35 days instead of 30, than it can be sent to another person for a final decision and then we come to the rule of common sense” (C2)</i></p>
	Customer focus	<p><i>“the investment you do to get a new customer really includes the returns policy”</i></p> <p><i>“We see what kind of returns they do and try to make it the best for customers that return to us” (C3)</i></p>
		N/A
	Evaluation	<p><i>“we make a business decision and see if we can sell it” (C3)</i></p>
		<p><i>“we have sort of a second opinion function, so an operator can if they have doubts, lets say the returns is 35 days instead of 30, than it can be sent to another person for a final decision and then we come to the rule of common sense” (C2)</i></p>

Table 3: Sample coding of interviews from C2 & C3.

4.2.2 Cumulative interview content

Company Theme	C1	C2	C3	C4	C5
Importance of policy (Q3)	Stimulate purchase Reduce risk for consumers	Stimulate purchase Internal process uniformity Marketing	Stimulates purchase Internal processes uniformity Driving traffic to physical store Post purchase experience	Communicate to customer about returns Saves time spent on customer service Post purchase experience	Stimulate purchase Marketing Communicate to customers about returns
Policy Development (Q4)	Marketing Department	Chief marketing officer function EU regulation as a framework Evolved through experience with customers	Omni-decision between Country manager and E-commerce manager Evolved through experience with customers	Sales and Business development department	Sales & Marketing Physical store
EU-regulation (Q5)	“Not the right person to answer”	Used as guidelines with local regulation	Used as guidelines Common goals Uniformity when entering different markets	Used as guidelines	Used as guidelines
Policy Market Evaluation (Q6)	Hasn't compared policies	Around the same	Around the same	Hasn't compared policies	More generous
Policy vs Practice (Q7)	Policy followed than evaluation made from situation to situation	Policy followed than rule of common sense Second opinion function in the hierarchy	Exceptions made to the policy No exact rules guiding exceptions Evaluation made based on resell possibility Situation to situation evaluation Helping the customer	Generous in a major essence Helping the customer	The customer is always right It costs more to hassle the customer Its more valuable to keep them as customers Policy followed but also situational evaluation made

Rahim Ladha Saleh
SMMM20 – 2017

Company Theme	C6	C7	C8	C9	C10
Importance of policy (Q3)	Stimulate purchase Communicate to customers about returns Reduce risk for consumers Allowing customers to try new products	Communicate to customers about returns Post purchase experience Helping unsatisfied customers	Communicate to customers about returns Saves time spent on customer service Internal process uniformity	Customer satisfaction Post purchase experience Offering a Service	Reduce risk for consumers Communicate to customer about returns Customer satisfaction Post purchase experience
Policy Development (Q4)	Developed by the Legal team & Business side EU regulation as framework National law of different markets	Developed by the online department, warehousing and customer service EU regulation as framework Future purchasing patterns	Developed by the Ecommerce manager Physical store	Developed by the Sales manager National law of different markets Physical store Evolved through experience with customers	Developed by the Operations function Customer point of view
EU-regulation (Q5)	Used as guidelines	Used as guidelines	Used as guidelines	Used as guidelines	“Not familiar exactly what the EU regulation actually says”
Policy Market Evaluation (Q6)	Around the same	More Generous	Around the same	More generous	More generous
Policy vs Practice (Q7)	Keep the customer in mind Good customer experience Satisfy the customer	The customer has always the right Exceptions made Evaluation based on ability to resell Evaluation is a gray zone	Policy as a guideline Exceptions made to help the customer Evaluation based on common sense	Return policy as guideline Exceptions made to help customer Evaluation based on reason being valid Evaluation based on resell possibility Evaluation based on common sense Customer satisfaction	Return policy as guideline Exceptions made Evaluation based on ability to resell

Company Theme	C11	C12	C13
Importance of policy (Q3)	Stimulate purchases Reduce risk for consumer	To control the cost of returns Competitive element for company Reduce risk for consumers	Stimulates purchase Reduce risk for consumer Driving traffic to physical store Offering a service
Policy Development (Q4)	Proposed by the founder	Developed by the Omni- Channel department & Management Physical store Competitor Comparison	Developed by the Web-store manager & Head of Marketing Regulations
EU-regulation (Q5)	Used as guidelines	Used as guidelines	Used as guidelines
Policy Market Evaluation (Q6)	More generous	More Generous	More generous
Policy vs Practice (Q7)	Return policy as Guideline Exceptions made Evaluation based on ability to resell Satisfy the customer	Exceptions made Evaluation is a gray area	Exceptions made Evaluation based on ability to resell

Table 4: Cumulative content analysis of the interview responses

4.2.3. Importance of the policy

An analysis of the interviews' content suggest that all the companies consider the return policy an important instrument, however different responses as seen below and in Table 3 were given in regards to the role and function of the policy. Responses indicate that the return policy is an important instrument for

- Stimulating purchase (7/13)
- Communicating to customers about returns (6/13)
- Reducing risk for consumers (5/13)
- Creating post purchase experience (4/13)
- Creating Process uniformity (3/13)
- Marketing (2/13)
- Driving traffic to physical stores (2/13)
- Saving time spent on customer service and enquiries (2/13)
- Offering a service (2/13)
- Helping unsatisfied customers (1/13)
- Allowing customers to try new products (1/13)

While the interviews resulted to varied responses regarding the role and function of the return policies, the answers should be seen from a holistic perspective so as to offer a better understanding for what the policies stand to do and their general-purpose. Stimulating purchase and communicating to customers about returns seemed to be the most popular reasons for having a returns policy.

4.2.4. Policy Development & EU-regulation

The question “*which role position or group is responsible for developing the return policy*” was put in place to further deduce the intentionality behind the returns policy by inferring the purpose of the policy from the development source.

A comparison of the responses suggest that companies approach the development of the policy rather differently, additionally the results suggest that it is not necessarily a single function involved in the developing of the policy and that insights are drawn from other areas as well. The responsibility of policy development seemed to lie on the;

- Marketing department
- Chief marketing officer
- Country managers and E-commerce manager
- Sales and business development
- Sales and marketing
- Legal team and Business side
- Online Department, Warehousing and Customer service
- E-commerce Manager

- Sales Manager
- Operations function
- Omni-channel department
- Web-store Manager & Marketing
- The Company Founder

The results suggest that the development of the policy is not necessarily by the same function amongst different companies, however it seems that the involvement of the marketing and sales function is prominent but this cannot be definitively concluded from the findings.

In regards to how the policy is developed, the general sentiment was EU regulation is used a framework together with national law. However some respondents also remarked that the policy is developed through experience with the customers, through policy comparisons within the market, through comparison with physical stores and through assumptions of future purchasing patterns.

The similarities in the content of the returns policies displays the harmonizing effect of the distance selling rules set forward by EU as well as adherence to national regulation. As already mentioned above, most of the companies regard EU regulations to provide a framework for their policies, some remarked that it favors more the consumer than companies but at the same time allows e-tailers' to charge for returns and offer partial refunds if products are not returned in original condition.

4.2.5 Policy Market Evaluation

The general sentiment when it came to how generous the policy is with regards to competition was mixed, most companies (7/13) regarded themselves more generous than competitors, with the exceptions of 2 companies who's respondents hadn't compared policies before and another 4 companies who considered their policy to be equal to that of competitors.

While the return policy of C5 did reflect higher leniency in regards to the time dimension i.e offering 30 days, this could not be found for it's other dimensions. Company - C7 that also considered their policy to be more generous did not seem to differ much from the other policies, additionally they had an invoice fee associated with the returns of a product and therefore could be considered a little less generous on the monetary dimension in comparison to some of the other companies.

C9 differed in that it offered free returns and the same applies for C10, C11 & C12. Additionally the policies of C9, C10 & C13 did not contain any information regarding the scope dimension and therefore are less restrictive at least in terms of what can or cant be returned.

A comparison of the online policies reflects that C10 is the most lenient; this is because it offers 180 days, full refunds, free return and has no restrictions to what can or cant be returned.

4.2.6 Policy VS Practice

While the policy communicates the promise provided by the company to the customer, the general response to the question *“How strictly do you follow the return policy”* provide the most interesting results as it suggests a mismatch between what is conveyed in the returns policy versus how returns are handled in practice.

The general sentiment is that the policy provides an initial reference point for the evaluation on whether a return can be accepted but exceptions are also made from situation to situation. As such the policy is less a policy and more a “guideline” for consumers and the company so as to ensure a successful return. As per the responses, expectations are made in order to help the customer, to deliver better service, to avoid negative word of mouth from customers and to avoid loosing the customers’ future purchase. Additionally the responses suggest that when exceptions are made, it’s the rule of common sense that is used to make an evaluation on whether a return should be accepted or not. One repeated evaluation factor when making exceptions seems to be how re-sellable the product is, however it was also reported that some of the companies were willing to accept a product even if it cant be re-sold, this was done in a tradeoff for long term profit as the customer is more likely to go away with a positive experience and therefore transact with the company in the future. The evaluation when making exceptions is un-uniform as there are no guiding principles per se to follow, as best exemplified by the following quotes;

“I think this is a little bit of a gray area, its not very easy to define exactly the borders, what’s an ok return or what we can refuse, so I think its not very easy to decide” (C11)

4.2.7 General Remarks

Generally the content of the interviews reveled that the importance and function of the policy was different from company to company, however its ability to stimulate purchases (7/13) and communicate to customers about returns (6/13) seemed to be most echoed amongst the companies. Additionally, the policy development responsibilities seemed to vary amongst the companies with perhaps a higher likelihood of the responsibilities laying within the marketing or sales function. In regards to how the policy is developed, the EU regulation or distance selling rules were seen as a guiding framework together with national law, furthermore experience with the customers, future patterns and an already existing physical store were considered some of the factors that influence how the policy is set and its content. The

companies mostly considered their returns policy to be more generous than that of competitors, except for 4 of the companies and 2 more that hadn't compared policies. Finally, it was also found that the e-tailers' involved in the study were more lenient than what they convey in their return policy.

5. Analysis & Discussion

The proceeding chapter generates meaning to the empirical finding by drawing reference to the content of the introduction and theoretical framework. Additionally it attempts to answer the three research questions.

Q1: What do Swedish e-tailers signal in their return policy?

The content analysis of the returns policies indicate that all the companies involved in the study conform to the distance selling laws enforced in 2014 by the EU and use it as a framework or guideline when approaching policy development, this isn't surprising considering every member state was expected to implement the changes within a two year period (Hjort & Lantz, 2012). The use of the distance selling law as a framework/guidelines was also confirmed by the representatives in the interview, as such while the policy may be used for purposes like stimulating sales and marketing, in essence the fundamental reason for having the policy is the regulation. However, comparing the content of the regulations as displayed in section 3.2.2 of the thesis, it is evident that companies have some flexibility in setting or interpreting the policy variables, as such some may offer more than 14 days returns or require original tags and original packaging which is not necessarily required by the distance selling law. As such one could argue the distance selling law sets some fundamental principles but that it is subject to adaptation thus allowing companies to use it reasonably to their interest as well as the consumers' interest.

Swedish fashion e-tailers' through their returns policies therefore signal within the dimensions suggested by Janakiraman et al. (2016) i.e Time leniency, Monetary leniency, Effort Leniency, Scope leniency and Exchange leniency. Additionally they signal (1) The need for customers to consciously handle products with care if they are unsure of keeping the purchase, (2) They signal customer autonomy over returns by sending return slips with the package, this is also dependent on whether the company requires contact prior to a return or not, (3) They signal that different products may be subject to different return conditions, (4) They also signal adherence to distance selling / local regulation and the that the most common way for refund is through money back.

Q2: What do return policies mean for e-tailers’?

While each company attributed different functions of the return policy, some of the findings can be seen as interlinked with an underlying motive. For example, some respondents remarked that the return policy could be used for reducing risk for customers, helping unsatisfied customers and marketing. Essentially, these all translate to stimulating purchase as a result of offering favorable terms. Greator and Mitchell (1994) argue that return policies can be used as a risk reliever to allow customers to experience the product before deciding to keep it, this is inline with the idea of stimulating purchases as it permits customers to order more freely.

In addition to stimulating purchases, Hjort and Lantz (2016) have also discussed the use of lenient returns condition as a means of creating loyalty and repeat customers, these are also amongst the reasons reported by the respondents of the study in regards to why exceptions to the returns policy are made.

Returns are also seen as part of the customers purchase experience and important for creating post purchase experience, this supports the arguments of Hjort et al. (2013) that returns management is an aspect of customer experience and if properly handled could generate a competitive advantage for companies.

While Bonifield et al. (2010) found that e-tailers’ used returns policies in various ways to signal product quality to consumers, this discourse did not seem to be supported from the interviews. This is likely a result of the harmonization brought by the distance selling rules of EU thus rendering moot the product quality signaling effect of the policy.

Communicating a promise to the customer, and reducing information asymmetry regarding the return of products was amongst other reason put forward in the interviews for having a policy, this is inline with signaling theory (Connelly et al., 2011) as the signaler in this case the “company” is the only party aware of how they deal with returns and it is therefore their responsibility to convey this through a medium of choice, this also strengthens (Mavlanova et al., 2016) argument of return policies being used as signals.

The distance selling laws are of course meant to help the customer, and therefore this is part of what the return policy is for, however it also provides those involved in returns a point of reference and creates process uniformity. While the author initially intended to deduce the intentions behind the policy and infer a relationship between the function, role or department responsible for developing the policy and the policy’s intentions, it is difficult to definitively make any conclusions in this respect as different factors may be involved in deciding where the policy is developed. It is however possible to say that the Logistics and Operations function seems to be less

involved in the development of the policy in comparison to the Marketing, Sales and E-commerce manager function.

Q3: Is there a mismatch between what is signaled in the return policy versus how returns are handled in practice?

The findings from the interviews suggest that the e-tailers' in the study are more lenient than they signal in the returns policy, this is to say that they handle the returns of products more generously and make exceptions based on cases to case evaluation and the rule of common sense. This is however unknown to many customers because (1) It is not communicated by e-tailers' in their return policy and (2) customers take the returns policy at face value as they have no reason to do otherwise. This represents information asymmetry as information that could be used to make better decision by the consumer is not communicated by the company with access to such information (Connelly et al., 2011), from a consumer perspective, the better decision being to return the product they are not satisfied with and recuperate their funds.

As previously established and visually illustrated in section 2.4 i.e. "The conceptual framework", e-tailers' are considered the signalers, the return policy and its content is considered the signal and the consumer is considered the receiver. As per Connelly et al. (2011) the receiver is considered to be an outsider who lacks but would like to receive certain information, in this case the information being whether a customers return will be evaluated and accepted based on circumstance rather than meeting the qualifying criteria put forward in the returns policy.

While it could be argued that such information is intentionally left out to mitigate the opportunistic behavior of consumers and the abuse of such privilege, this conclusion cannot be drawn. The companies in the study opine that offering this possibility is to ensure customer satisfaction, to create good customer experience, to help the customer and hopefully gain their confidence for the next purchase and to have them long term. It should be noted however that, avoidance of a negative customer experience followed by negative publicity or word of mouth also seemed to be amongst the reasons for the exceptions.

As such it was seen as unfitting to hassle the customer but more fitting to react generously as this was worth it in the long run. This supports Hjort and Lantz (2016) argument that lenient returns conditions can be used by e-tailers' as a means of increasing sales, creating loyalty and creating repeat customers. The leniency and exceptions in this context being used in line with the concept of creating **customer delight**. As per Schneider and Bowen (1999, p. 37) customer delight "is delivered when the firm provide a surprising, positive departure from expectations", such as the expectations regarding returns set and managed through the promises communicated in the return policy.

An alternative explanation for the mismatch is that the companies may consider the policy sufficient and generous enough to fulfill the needs of their customers and therefore see no reason to change the information despite being more generous in practice, as remarked by one respondent

“We do make exceptions but as a main guide that we follow is our own returns policy because it’s already as generous as it gets” (C9).

A common sentiment amongst the companies was that they trust their customers to follow the policy and that it was assumed common sense that products should be returned in original condition, in time, with tags, in original packaging etc, an explanation to this is that e-tailers’ may assume that physical stores have already programed this into the minds of consumers as they existed before e-commerce, additionally it does sound fair and logical that products should be returned in a condition that permits resell-ability from a business perspective.

While the return policies can be used as signals, it was difficult to determine from the interviews and content analysis if it was being used strategically, likely due to the harmonizing effect of the distance selling laws and industry standards, the only exception here might be (C10), as they offer 180 days time leniency which according to the respondent wasn’t actually used by consumers as most consumers returned products within the first 3 weeks.

Mavlanova et al. (2012) argues that strategic signaling signifies the actions taken by a signaler to influence behavior and views of receivers. As such it may not be the presence of the content but the lack of such content that represents strategic use in this context as it still generates a certain view and leads to certain behavior.

It was also found that some polices missed to indicate certain things, for example the return policy of (C1) did not contain any information in regards to how undergarment returns are treated despite being part of their product offering, the same was found for (C9) and (C10). However, that these products are treated stricter is likely intuitive for many customers due to hygienic reasons and therefore not likely to cause problems but still represent an asymmetry in information, the point here is that while the content of the policies is essentially similar, difference do arise either due to (1) the assumption that some things are common knowledge and logical and (2) each company sets the policy that they feel is best for their customer. To rank how the majority of the companies approach policy setting, they first look at the (1) Law (EU/ National law), than (2) What is important for the customers and company, and to a lesser extent might (3) Make comparisons in the market to see how they compare to competitors. As such competitor influence seems to be rather low in setting the policy.

To answer Question 3, the findings suggest that there is a mismatch between what is signaled in the returns policy of Swedish fashion e-tailers’ in relation to how returns are handled in practice. This is to say that while the companies signal a certain level

of restrictions or leniency in their returns policies, they in practice are more lenient. As such the returns policy is seen more as a guideline than a strict must follow policy. This is best supported by the quotes below in regards to the practical use of the policy;

“we try to follow it and look at it as a guideline” (C8)

“I more see the return policy as a very generous guideline” (C10)

The mismatch explained above is the source of information asymmetry. This is because information that could be communicated in the returns policy and used by consumers to make a better informed returns decision is not made available to them and likely benefits the e-tailer. This represents a conflict of interest between the signaler and receiver as argued by Connelly et al. (2011).

6. Conclusion

The aim of this thesis was to confirm findings of previous research from the e-tailers’ perspective, but more importantly to test signaling theory and explore if there is a mismatch between what Swedish e-tailers’ signal in their return policy verses how returns are handled in practice.

In conclusion, there is a mismatch between what is signaled in the returns policy versus how the companies handle returns in practice. This mismatch arises as the companies are more lenient than signaled in their returns policies, additionally consumers are let to believe that the policy is final as they are not informed by the companies that exceptions may be made to the policy.

Contribution and Managerial Implications

The finding in regards to singling theory suggest that there is information asymmetry as consumers are not informed and may not be aware that companies make exceptions in situations where the return does not meet the return policy requirements. This can be resolved by communicating these exceptions in the returns policy as the companies essentially already offer them unofficially to their customers. Additionally the companies should perhaps refer to the returns policy as a “**returns guideline**” on their platforms as the term policy represents something that must be followed whereas the term guideline represents some leeway and the possibility for individual case evaluation.

As simple as it sounds, it is important to consider the potential effects it may have. This may enhance the positive experience of returns for customers and signal better service and leniency but also create a more personalized view of returns and could potentially create repeat and loyal customers. However, officially communicating this may also create a challenge at an operative level for e-tailers’ who may see increased levels of returns, but this also creates an opportunity as only e-tailers’ in the position to handle resulting returns may be in the position to officially offer this as part of their return policy. As the process of making an exception valuation is not straight forward, this would also mean that customer service and warehouse employees dealing directly with the product or customer would have to be provided with clear information and training to better evaluate what is an acceptable or non-acceptable return.

To give an example on how case-to-case evaluation is already being communicated in return policies and as part of the returns handling process, I direct the reader to Nordstrom.com, a large American based fashion e-tailer selling to several markets including Sweden. The extract below shows a small section of their returns policy;

“We handle returns on a case-by-case basis with the ultimate objective of making our customers happy. We stand behind our goods and services and want customers to be satisfied with them. We'll always do our best to take care of customers—our philosophy is to deal with them fairly and reasonably. We have long believed that when we treat our customers fairly, they in turn are fair with us.” (Nordstrom, 2017)

Critique to methodology and Limitations

The challenges and limitations emerging from the research were mainly due to (1) Access, (2) Trust and (3) Time. It was difficult to get in contact with some representatives, this being the outcome of company policies restricting direct access to employees at high positions. Additionally when a contact was obtained, it was still challenging to get participation as many representatives simply had other pressing issues and could not take part. Others did not respond to requests or simply declined as a result of getting similar requests from many students.

Trust seemed also to contribute to the limitations of the thesis, while the author did introduce himself and explain that the content of the interviews were only going to be used for the thesis; it was evident that some respondents were still skeptical. The general concern was whether the information was going to be sold further or if this was being done by a competitor aiming to gain insight into the organization, both these are legitimate concerns perhaps enhanced by the lack of face to face interaction and lack of prior familiarity with the author. This was very visible in one interview where the answers were non-elaborative despite the authors attempt to probe for more information, thus leaving the author with little information to work with.

Time was also a source of limitation, while the author initially had a timeline for the thesis it was not in his control to decide when the interviews would take place, some representatives only had time available a couple of weeks in the future a fact that delayed data collection and steps the follow after it.

In regards to the thesis, while the author had initially intended to use the online policies of the companies as a way of triangulating interview content and crosschecking for mismatch, this proved to be challenging and was only applied to a limited extent for three main reasons. (1) The limited nature of the respondents time made it difficult to go into detail with every single aspect of the return policy, (2) Some respondents referred the author to the online policies when asked about the content, (3) Most of the respondents were not involved at an operative level or in the day to day with the returns and as such could not offer detailed information on how returns are evaluated with regards to the different dimensions of the policy and how exceptions are approached. As such, in regards to the mismatch, a detailed analysis could not be conducted as to which dimensions might be subject to higher exceptions, however the respondents seemed to reflect most on the time leniency dimension, followed by effort leniency. Similarly, while the author was interested initially to investigate the intentionality of the returns policy, very few of the respondents interviewed was directly involved in the development of the policy and as such intentionality could not be examined.

Future research

A direction for future research would be (1) To investigate how consumers interpret the returns policy and its dimensions as a signal, (2) To investigate consumer perception towards receiving exceptions and if they do in fact transcend consumer satisfaction and result to consumer delight, and (3) To conduct the research with customer service managers, customer service representatives or warehouse workers as target respondents' so as to get a deeper understanding of how exceptions and evaluations are made in regards to the policy dimensions. In essence, future research may want to look at return policies from the perspective of consumer satisfaction and delight.

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Appendix 1

Interview Guide

General Questions

1. How long have you worked at the company?
2. What is your current position and working responsibilities?
 - How much does your position require dealing with returns?

Return Policy On Company

3. How is having a returns policy important for your company?
 - And Customers?
4. Which role, position or group is responsible for developing the returns policy in your company?
 - How is the policy itself developed?
5. How does EU regulation on e-commerce and consumer protection affect how your company sets the returns policy?
6. Do you consider your return policy to be more generous or equal to that of competitors in your industry?
7. How strictly do you follow the return policy?
 - Are there exceptions made to the returns policy? For example, accepting products past the return deadline or allowing return of products not in original condition.

Appendix 2

Returns Policy Research - Lund University

Dear **(Participant's Name)**

This is an invitation to participate in a study I am conducting as part of my Masters degree at **Lund University**. The research is supervised by the **(ReLog)** research group and aims to gain more insight into why e-tailers' operating in Sweden have certain returns policies and what these policies mean for consumers and the company.

Participation in the study is anonymous and involves an over the phone interview of approximately 15 minutes where 7 questions will be asked. As a participant in the study you will receive a report of the findings and the thesis that may provide insight into a more strategic use of the returns policies.

Your participation and support is deeply valued and an over the phone interview will be scheduled at your convince when a response is received regarding participation. Questions will be provided before the actual interview, if you have any question please contact me.

Sincerely,

Rahim Ladha Saleh

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