

Are return policies viewed the same way? U.S. and Chinese consumer perceptions of return policy and perceived risk

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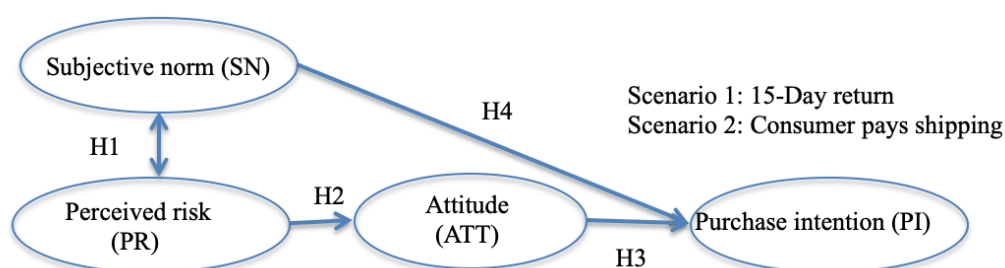
*Introduction and Conceptual Framework.* Return policies can minimize consumer risk and encourage purchase. However, return can be a big source of loss for retailers as well (Janakiraman et al., 2016). Having the right return policy is a critical success factor for retailers with implications for profitability. Studies have long established cultural factors to influence consumer behavior (e.g., Chen et al, 2018; Torelli et al., 2017). Yu and Kim (2019) show that retailer return policies in China are more rigid compared to the U.S. offering evidence that consumers in various countries may differ in their perceptions based on the common practice of return policies. The purpose of this study is to empirically examine how two factors (subjective norm and perceived risk) influence consumer perceptions of return policies in China and the U.S. This study fills the research void on consumer perceptions of return policies of apparel retailers.

Three theoretical frameworks support the study. Perceived risk theory explains how return policies reduce consumer uncertainty prior to purchasing (Kang & Kim, 2013) and the theory of planned behavior (Ajzen, 1991) explains how consumer's purchase intentions are influenced by subjective norms and attitude towards return policy. These two theories are related to Hofstede's cultural dimension theory (2001) which explains the cultural differences between China and the U.S. The two countries have cultural differences in collectivism/individualism (China 20; USA 91) and uncertainty avoidance dimensions (China 30; USA 46). China, as a collectivistic nation, shows higher peer conformity pressures given the emphasis on social harmony and U.S. consumers do not like uncertainty and are more risk-averse compared to Chinese consumers. Hypotheses for the study are illustrated in Figure 1. Statistical comparisons show the differences of the two national consumer groups in their perceptions of return policy.

*Methods and Results.* Online surveys collected data in two major universities in the U.S. and China. Both groups were female university students who were citizens of their respective countries. The U.S. sample (N=119) ages were 18-24 years (100%) and Chinese sample (N=188) 18-34 years (87%). Students were asked to imagine a situation where they were shopping for a winter coat on an ecommerce site and found an item they liked. Students were then asked their opinions on two different return policies associated with the scenario: (1) a 15-day limit for returns and (2) consumer pays for shipping fee. The two return policies were selected as the most strict based on a prior survey of students; this was also confirmed in the main survey. Multi-item

scales (1=strongly disagree/5=strongly agree) measured in the survey were perceived risk (Cheung & Lee, 2001), subjective norm (Byon et al., 2014), attitude (Al-Rafee & Cronan, 2006) and purchase intention (Gupta & Kim, 2010). Confirmatory factor analysis (CFA) validated the measurement of the four constructs in the conceptual model; fit indices, factor loadings, construct reliabilities, and AVEs were all acceptable. Cronbach's alphas for items ranged from .852 to .960. Measurement invariance tests confirmed configural invariance (not metric and scalar invariance); four models were tested individually (2 countries x 2 scenarios). Structural equation modeling using AMOS tested the hypothesized models. Goodness of fit indices indicated an acceptable model fit for all four models (PCMIN/DF 1.497-2.042, RMSE .058-.077, NFI .891-.955, TFI .950-.978, CFI .960-.983). Parameters between constructs were significant and correlation between SN and PR was significant for the U.S.

Figure 1. Hypothesized model tested for U.S. and Chinese Consumers



*Discussion and Conclusion.* The results indicate that perceived risk (negative) and subjective norm (positive) for return policy influence consumer attitude toward the return policy across the two samples. In addition, subjective norm and attitude significantly influenced purchase intentions. H2, H3, and H4 were accepted. An interesting finding is U.S. consumers who perceived a high level of support from friends and family (subjective norm) for the 15-day return policy also considered the return policy to be of lower risk. In addition, U.S. consumers had a significant but weakest relationship between subjective norm and attitude for the policy that required consumers to pay for return shipping. The results related to subjective norm offer insight into the U.S. consumer group in that when it comes to return policy, subjective norm appears to be influential in certain cases and offers retailers a new understanding of how consumers may respond to return policies. ANOVA results also confirm the U.S. sample responding more favorably to the 15 day return policy whereas the Chinese sample responded similarly across the two scenarios indicating U.S. consumers may have a higher sensitivity to return policies. More diverse samples and additional return policy scenarios are recommended

for future research to understand how consumers with differing cultural contexts may respond to return policies.

Table 1. Structural Equation Model Results (Standardized Estimates)

	United States		China	
	R Policy 1	R Policy 2	R Policy 1	R Policy 2
Subjective Norm $\leftrightarrow$ Perceived Risk	-.71***	-.12	-.06	-.04
Subjective Norm $\rightarrow$ Attitude	.367***	.432*	.666***	.532***
Perceived Risk $\rightarrow$ Attitude	-.455***	-.263***	-.272***	-.375***
Subjective Norm $\rightarrow$ Purchase Intention	.546***	.474***	.535***	.600***
Attitude $\rightarrow$ Purchase Intention	.391***	.476***	.446***	.395***

Note: R Policy 1=15 day return limitation; R Policy 2=Consumer pays for return shipping; \*\*\*p<001, \*p<.05

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