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EXPLORING CONSUMER ONLINE PRODUCT RETURNING  
BEHAVIOR: CHINESE E-CONSUMERS' PERSPECTIVE

Business Competence  
Master's Thesis  
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## ABSTRACT

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In the retail world, product returns are a common practice by consumers. Many businesses have been attempting to obtain more sales by providing customers with lenient return policies as well as customer-friendly return processes and procedures. Over the past decade, the issue of product returns by consumers is on the rise and drawing increased attention from practitioners and researchers.

The objective of this thesis is to explore Chinese e-consumers' perception of fraudulent returning behavior and identify the characteristics of Chinese consumers' online returning behavior on fashion products, in the context of China's thriving e-commerce market. Fashion products are the most popular items online, thus the thesis mainly focuses on fashion product returns. Mixed methods approach is employed in conducting the research. The author first conducts in-depth interviews with respondents, and then sends out an online survey. Both the qualitative and quantitative data are analyzed as to provide holistic results and findings for the thesis.

Findings of this thesis provide an overview of Chinese consumers' fashion product return motives, product return rates, demographical characteristics, and their attitudes towards fraudulent returning behavior. The theory of planned behavior proves to be suitable to explain the findings of this thesis and subsequently sheds light on the uniqueness of China's online retail environment. Chinese online consumers are more critical of fraudulent returning behavior therefore the findings do not consider fraudulent returns as a problematic issue in China.

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# 1 INTRODUCTION

## 1.1 Consumers' product returns as a research topic

Return policies allow customers to reverse their purchases after they have experienced the merchandises (King and Dennis, 2003). Providing the opportunity to return products for a refund is a measure of reducing the risk associated with the buying decision perceived by customers (Schmidt et al., 1999; Kang and Johnson, 2009), and offering additional value for customers (Škapa, 2012). Online retailers offer generous return policies in order to attract and retain customers in the highly competitive market. For example, Nike's online store grants free return "for any reason within 30 days of the delivery date" and a 60-day holiday free return<sup>1</sup>. Mango's online store offers a 30-days free store return and postal return<sup>2</sup>. A prepaid label is included in the shipment with the return address, which customers can simply attach to the returning package. Zappos goes even further by publicly announcing that it will take back any item within 365 days of delivery as well as pay for the return shipping. These e-retailers are making it extremely easy and convenient for customers to return the purchased items. The purpose of offering lenient return policies is to provide better shopping experiences, enhance sales, and promote customer loyalty. However, according to Harris (2008), these lenient return policies may leave retailers vulnerable to customers' abusing their lenient return policies.

On the one hand, customers may return products due to unfulfilled expectations or acquisition of alternatives (Powers & Jack, 2013). On the other hand, lenient return policies of retailers have encouraged some customers to deliberately return used goods, which is referred to by researchers as "deshopping" (Schmidt et al., 1999), "retail borrowing" (Piron & Young, 2000), and "fraudulent return behavior (Harris, 2010).

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<sup>1</sup> Refer to NIKE.COM RETURNS at [www.nike.com](http://www.nike.com)

<sup>2</sup> Refer to EXCHANGES AND RETURNS at [www.mango.com](http://www.mango.com)

Previous studies have proven the prevalence of customer fraudulent return behavior. In a survey of a total sample of 528 participants, 266 (50%) were identified as deshoppers (King & Dennis, 2006). According to Harris (2008), over 46 percent of participants had conducted fraudulent returning (Harris, 2008). Hjort and Lantz (2012) reported that return rates of different product categories ranged from 13.5% to 36.1%, as identified in a study designed to test return patterns under different return policies of an online fashion retailer. With more consumers engaging in online purchasing, the deshopping behavior online is predicted to escalate, if left without adequate research (King & Dennis, 2003).

It is important for retailers to understand consumer product returning behavioral patterns in order to implement return policies and processes that produce the best commercial outcome. As the issue of illegitimate or fraudulent product returns becomes increasingly problematic, retailer profits are being eroded due to the subsequent cost of processing the returned goods. The US National Retail Federation (NRF) reported in 2014 that \$284 billion worth of goods sold in the retail industry were returned, which accounts for 8.89% of total sales (The Retail Equation and NRF, 2014). Some consumers return products that are not satisfactory, while others take advantage of the lenient return policies and return products that have fulfilled the purpose of the purchase. Of the \$284 billion returned goods, an estimated \$10.8 billion were fraudulent returns, and this figure has increased by 20% from 2013. E-commerce has been growing at a tremendous pace in both developed and developing countries since the dawn of the 2000s. The product return rate online is thus believed to be higher in comparison to offline stores due to the nature of online shopping which does not allow the consumer to come into physical contact with the product before purchasing it.

## **1.2 Research gap**

Previous studies on consumer returns and fraudulent returns mainly focus on physical retail settings, with very few studies done in the online retailing environment. Geographically, most studies on consumer returning behavior were conducted in the USA, UK, and other Western countries. Researchers are urging relevant studies be conducted in different countries and cultural settings (King & Dennis, 2006). In context to online consumer behavior literature, the majority of the studies have been focused on the consumers' adoption process and intention of online purchasing (Cheung, Chan, & Limayem, 2005). Yet, few studies have focused on the issue of consumer product returns and fraudulent consumer returning behavior specifically online returning behavior, as many retail businesses have moved from offline to online over the past decade.

China's E-commerce Research Center reported that the total population of Chinese online shoppers has reached 460 million, which has increased by 21% on a year-on-year basis compared to 2014 (CECRC, 2015). With the huge base of online consumers in China, it is of great academic and commercial value to research Chinese online consumer behavior. Despite the fact that researchers in Western countries are stressing the issue of consumer (fraudulent) product returns, there is lack of relevant studies among Chinese online consumers.

Most existing literature has focused on consumer returning behavior in offline retail settings, thus more attention is required to obtain a more comprehensive understanding of consumer online fraudulent returns. Previous studies are mainly quantitative surveys in which case respondents were asked to fill in an anonymous questionnaire with candid answers. Well-designed quantitative surveys are an effective and efficient way to gather high-quality data. However, research on fraudulent product returning behavior from consumers' perspective is still limited since it is considered the "darker side" of

consumer research with many interviewees may simply not be able to admit the truth even if they have previously committed performed fraudulent returning behavior.

Geographically and demographically, the most existing relevant studies were conducted in Western countries (mostly in the US and UK), and only a few in Asian countries. It is thus necessary to examine the issue in different cultural contexts within different retail developmental stages and cultural backgrounds. Consumers in different cultural backgrounds may perceive ethical or unethical acts differently (Babakus, Bettina Cornwell, Mitchell, & Schlegelmilch, 2004). For instance, a study concluded that Chinese consumers' ethical judgements are strongly influenced by group norm (Chan, Wong, & Leung, 1998). Another study researches consumers from 10 different countries over a ten-year span, in which consumers were asked to rate their acceptability of questionable behaviors. Europeans are the least critical while Asians and Africans are the most critical towards certain questionable behaviors (Neale & Fullerton, 2010).

Some of the existing studies present paradoxical conclusions on consumer returning behavior. In the retail context, some studies suggest that product returns help increase future purchases (Petersen & Kumar, 2009). While another study shows that product returns by consumers have a negative effect on customer relationship (trust, satisfaction and word-of-mouth advertising), which may also be negatively linked to future purchase (Walsh & Brylla, 2016). The inconsistencies of these studies indicate the complexity of consumer product return behavior as well as insufficient understanding in the specific issue. In terms of demography, Piron & Young (2000) find out that female consumers conduct retail borrowing behavior four times more than males from a research among students in a US university. In contrast, Lee's (2010) findings from a study in Korea suggest that male consumers over the age of 40 are more probable to engage in fraudulent returning.

In summary, there is insufficient research on or understanding of consumer online

product returning behavior, especially in the Chinese online retail context. In this study, I intend to fill the key research gap by carrying out an exploratory research on the behavior of consumer online fashion product returns and fraudulent returns, from a Chinese e-consumers' perspective.

The aim of this research is to explore Chinese e-consumers' perception of fraudulent returning behavior and identify the characteristics of Chinese consumers' online returning behavior on fashion products. Two research questions need to be asked in order to fulfill the purpose of this research:

1. How do Chinese online consumers perceive fraudulent returning behavior?
2. What are the characteristics of Chinese online consumers' fashion product returning behavior?

This exploratory research can provide an understanding of Chinese online consumers' behavioral patterns of fashion product returns, as well as their perception on fraudulent returns. In addition, this thesis provides practical implications for online retailers whose customers are Chinese e-shoppers and theoretical implications for researchers who are interested in the study of Chinese e-consumers' product returning behavior.

### **1.3 Structure of the research**

The remaining parts of this research are as follows. Chapter two focuses on reviewing previous literature on consumer product returning and fraudulent returning behavior. The current situation of consumer returns and fraudulent returns is discussed and the theory of planned behavior is presented in this chapter to explain how consumers' attitude, subjective norm, and behavioral control affect the intention of performing certain behavioral patterns. The author also writes about some unique features of China's e-commerce retail environment, which has significant effect on Chinese consumers' online returning behavior. Chapter three presents the research methodology,

which the author utilizes mixed method methodology and explains the logic of choosing this method. In Chapter four, the author goes through data collection, data analysis, and presents the results and interpretation of the studies. Chapter five presents conclusions and discussions of the research including the implications, limitations and future research directions.

## **2 CONSUMER PRODUCT RETURNS: FROM OFFLINE TO ONLINE**

### **2.1 Concept of product returns by consumers**

Product returning behavior can be classified in post-purchase or post-consumption behavior, as the behavior only occurs after completion of the purchasing decision. While consumer product returns are gaining increasing attention from practitioners and academic researchers, more research is still needed to better understand the post-purchased behavior. Retailers have long been handling consumer product returns within the physical retail environment and with the exponential development of e-Commerce in the past two decades, the issue of consumer product returning is moving online. Although in the past 10 years, scholars and practitioners have conducted more studies on online consumer product returning behavior, there is still limited studies on online product returning behavior by researchers (Bonifield, Cole, & Schultz, 2010).

#### **2.1.1 Facts about consumer product returns**

Product returns by consumers are by no means a novelty in the modern world. Many countries' legislative laws make it compulsory that retailers offer return policies to customers. For instance, the European Union will adopt a similar law to that of Germany, obliging online firms to offer a 14-day no-questions return period. It is a universal practice for merchandisers to allow consumers to return purchased products, as it reduces the perceived risk of making a purchasing decision (Wachter, Vitell, Shelton, & Park, 2012).

Product return rates in the retail industry have been increasing in recent years. In the U.S. retail industry, the product return rate is between 10% to 30% depending on product categories (Walsh & Brylla, 2016). The Wall Street Journal reported in the

online retail environment that one third of all products purchased are returned by consumers (Kim, 2013). Processing returned products and reversing them into resalable conditions can devour up to 35% of total sales profits of companies (Hewitt & Mark, 2008). According to the NRF (National Retail Federation) retail industry consumer returns surveys, total sales of product returns by consumers account for 8.77%, 8.60%, and 8.89% of total retail sales respectively in 2012, 2013, 2014, with a general escalating trend (Table 1). The total amount of merchandise returned of \$284.00 billion in 2014 is astonishing, which the NRF comments “if merchandise returns were a company it would rank number three on the Fortune 500” (NRF & The Retail Equation, 2015).

Table 1: NRF consumer returns in the retail industry (All dollars in billions)<sup>3</sup>

<b>METRIC</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
NRF retail industry sales	\$3,006	\$3,108	\$3,194
Returns as a percent of total sales	8.77%	8.60%	8.89%
Amount of merchandise returned	\$263.10	\$267.30	\$284.00

*Source: National Retail Federation (The Retail Equation & NRF, 2014, The Retail Equation & NRF, 2013)*

As retailer profits are being eroded due to consumer product returns, product returning behavior by consumers is gaining increasing attention from both scholars and practitioners. It is therefore critical to explore and understand the hidden motives and reasons behind this behavior.

There are also environmental concerns due to product returns which involve extensive reverse logistics, especially for e-commerce product returns as its very nature is that of

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<sup>3</sup> 2015 survey data are excluded due to change of survey methodology in the 2015 NRF survey.

dispersed geographical distribution.

### **2.1.2 Reasons for product returns**

Previous research on consumer product returns has revealed a few reasons that are mainly accountable for product returning behavior with product failure is undoubtedly one of the most common reasons a customer decides to return the product. Upon receipt of product, there are cases where consumers find that the products are defective or damaged (this may or may not occur during the shipping process). In this specific case, it is natural for consumers to decide to return the products. Another cause for product returns can be the consumer's dissatisfaction with the product's color, quality, functionalities or other attributes of the product. For instance, a female consumer may change her mind when her friends tell her that the new dress does not look good on her. A male consumer may decide that the sound quality does not qualify his expectation after testing a new earphone. Lee ((D. H. Lee, 2015)) in his study on product returns identifies a contradictory phenomenon: while nowadays general product quality is improving, the number of product returns is increasing. He presents a summary of reasons for product returns by previous academic studies, which includes product defect, wrong products (sizes, colors, etc), dissatisfaction, and remorse. From a post-purchase dissonance perspective, Lee uncovers more reasons for product returns which suggest that product information before, during, and after purchase plays an important role in product returns (i.e. purchasing with incomplete product knowledge, careless purchase, acquisition of additional information after purchase). Marketing personnel anecdotally mentioned other reasons such as, multiple-item purchases, in which case a consumer buys multiple similar items from different stores with the intent of keeping only the favorite one. Change of mind after brief use of product is another reason that is undocumented in academic research.

According to a FedEx US consumer survey in 2008 shows 23% of the returns are due

to “wrong item delivered”, 22% of returns “items not as portrayed online”, 20% of returns “items damaged”, 9% of returns are because “customer intentionally order more than one size or type of item with the intent of returning one or several”, and 30% of the surveyed consumers select “other” as the reasons for returning items (Lazar, 2016). The 30% of unknown reasons for product returning behavior implies that more research is needed to better understand and explain consumer product returning behavior. Apart from the honest and legitimate reasons for consumer product returns, fraudulent returns, which will be discussed in detailed in the next part, is also one of the most common reasons for product returns (D. H. Lee, 2015). In a recent study, Saarijärvi et al. (2017) identify different categories of consumer returning behavior through different stages of the online purchasing process. The study reveals customers’ legitimate motives of returning fashion product are competition driven (find same product at cheaper price), disconfirmation driven (product not meet expectation), order fulfilment driven (wrong product including wrong sizes, colors, etc.), faded need driven (the need for the product no longer exists after arrival), size chart driven (unfit), and reclamation driven (defected product). And customer-initiated (fraudulently planned) returns are categorized as benefit maximization driven (order multiple items with the intention of keeping only one or a few), just trying out driven (no intention of keeping the item at all), money shortage driven (cannot afford the item) (Saarijärvi et al., 2017). The fraudulently planned returns are basically exploiting the generous return policies of the online retailers.

### **2.1.3 Linkage between return policies and product returning behavior**

In the retailing industry, lenient return policies are a common prescription for businesses and stores that aim at attracting and retaining consumers. It is commonly accepted by retailers that lenient return policies enable them to sell more, as well as enhance customer satisfaction and loyalty (Rosenbaum & Kuntze, 2003). By implementing lenient return policies, retailers expect to increase long-term profitability

as lenient return policies reduce customers' risk perceptions and increase customer purchases (Petersen & Kumar, 2009). Lenient return policies can be defined by a few elements: longer return deadlines (the time given to consumers after purchasing and before returning), high coverage (consumers may easily get full refund and return shipping fee is compensated), and low effort (little effort is required when a consumer returns a product) (Petersen & Kumar, 2009). Similarly, Janakiraman et al. (2016) summarize return policy leniency into a few aspects: time leniency, monetary leniency, effort leniency, scope leniency, and exchange leniency. For instance, the Norwegian sportswear and outdoor wear retail chain store has an extremely generous return deadline of 180 days (time leniency), and European's biggest fashion brand online retail Zalando provides not only free shipping but also includes a free return shipping label with the shipment order which means consumers' product return shipping fees are also covered (monetary leniency). One of the most successful Chinese B2C platform JD.com will send a courier staff to pick up the "to-be-returned" products from consumers at their doorstep (effort leniency).

From a managerial point of view, although lenient return policies are expected to boost sales, they tend to increase the cost of handling increasing amounts of returns. Managing the reverse flow of products is costly and often takes up a substantial part of profits earned. Studies show that the cost of handling and processing returned goods is two to three times more expensive than shipping ordinary outbound orders.

On the contrary, strict return policies consist of opposite elements to that of lenient return policies: shorter return deadlines, restrictive coverage (consumers may only get a certain percentage of the refund and may need to pay the return shipping fee) and more effort (consumers may be required to travel to a designated spot or warehouse). Since return policies substantially affect business' cash flow, businesses are searching for ways to reduce product returns by consumers. Many managerial perspective studies have been conducted to identify businesses' optimal strategies on whether to implement

more lenient or more restrictive return policies (Davis, Hagerty, & Gerstner, 1998). Researchers have come to the conclusion that it is not economically optimal to offer the same return policies to all customers (Piron & Young, 2001). The proposal of implementing different return policies on different customers has appeared in several studies. Li et al. examine subtle relationships between return policies and business strategies (pricing and product quality) and provide a joint decision model for online retailers. Li proposes that a lenient return policy generally signals of higher quality products. Therefore, retailers can pair lenient return policies with better quality products and less generous return policies with “low quality and low price” products. Foscht et al. (2013) suggest that instead of implementing a uniform policy, retailers can adopt a graduated scale so as to “punish heavy returners” (Foscht, Ernstreiter, Maloles III, Sinha, & Swoboda, 2013). Retailers can also utilize computer technology (a consumer-based system) to detect fraudulent returners from non-fraudulent consumers (Speights & Hilinski, 2013).

Researchers have recently noticed that with most studies focusing on developing return policy models, insufficient attention was paid to consumer reaction and consumer behavior towards different conditions of return policies. Hjort and Lantz conduct a series of studies based on real data from the Swedish fashion e-commerce nelly.com and demonstrate that lenient return policies are associated with increased order frequency and higher probability of return. A study focused on the interrelation between the deliberation time before/after online purchasing and lenient/restrictive return policies (Wood, 2001) shows that lenient return policies largely decrease the time spent by consumers when making purchasing decisions online, while no obvious interrelation was found between consumer deliberation time after purchase. This study suggests a weak linkage between lenient return policy and consumer product returning behavior, and a strong positive linkage between lenient return policy and consumer online purchasing decision-making. This research result corresponds with the common assumption that lenient return policies is a selling tool employed by businesses to

increase sales volume. Another recent study shows an interesting negative correlation between return deadlines stated in return policies and consumer product returning behavior, namely, shorter return deadlines are correlated to higher product return rates (Janakiraman & Ordóñez, 2012). This article also points out that in recent years physical stores have been tightening their return policies while online stores on the other hand, are offering more lenient return policies to online shoppers.

## 2.2 Fraudulent product returning behavior

Fraudulent product returns by consumers may at first sound unfamiliar to honest consumers who seldom return purchased goods. However, this phenomenon is nonetheless rare and is on the rise. According to Lee’s research, fraudulent purpose is also one of the primary reasons for consumer product returns (D. H. Lee, 2015). The NRF estimates an amount of \$10.8 billion fraudulent returns, and this amount has steadily increased by 22 percent from 2012 (Table 2). Similar as the escalated product return situation during holiday sales, NRF also points out that during the holiday season (full months of November and December), fraudulent return rate is 45% higher than annual fraudulent return rate (The Retail Equation & NRF, 2014).

Table 2: NRF fraudulent returns in the retail industry (All dollars in billions)

<b>METRIC</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
NRF retail industry sales	\$3,006	\$3,108	\$3,194
Returns as a percent of total sales	8.77%	8.60%	8.89%
Amount of merchandise returned	\$263.10	\$267.30	\$284.00
Percent of returns without a receipt	17.30%	14.40%	14.10%
Return fraud as a percent of total returns	3.40%	3.40%	3.80%
Estimated amount of fraudulent returns	\$8.80	\$9.10	\$10.80
Return fraud and abuse as a percent of total returns	6.00%	6.10%	6.20%

Estimated amount of return fraud and abuse	\$15.80	\$16.30	\$17.60
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*Source: National Retail Federation (The Retail Equation & NRF, 2014; The Retail Equation & NRF, 2013)*

As e-commerce continues to grow, online fraudulent product returning is becoming a major cost driver for retailers. When choosing between returning products to physical stores and over the Internet, the NRF also reports that 95% of consumers favor the Internet. The scope of online fraudulent returns is expected to be larger than that in offline context, because the anonymous or faceless nature of Internet spares the customer the face-to-face interaction with staff in physical retail stores when returning products (Shah, 2014; Piron & Young, 2000). In terms of return policies, the NRF reports that fewer than 50% of retailers regarded their return policies as “effective” in deterring fraudulent returns (NRF & The Retail Equation, 2015).

Online product returns differ to that of offline product returns (returning products to physical stores) in two major aspects, which lead to higher probability of product returns for online stores. Firstly, in a physical retail context, customers can experience and test the products before purchasing as opposed to in the online context, where customers are not able to experience the products prior to ordering (Hjort & Lantz, 2012), therefore lenient return policies are common for online shopping. The product uncertainty due to the inability to experience the product increase returns (Fu et al., 2016; Griffis, Rao, Goldsby, & Niranjana, 2012). Secondly, consumers do not have to engage in any face-to-face contact with store staffs when returning products to an online store. The anonymity of online product returns increases the potential of returning (Hjort & Lantz, 2012) and consumer misbehavior (Shah, 2014). A brief table (Table 3) is as follows to display the differences between online and offline product returning.

Table 3 Differences between online and offline product returns

Aspects	Online	Offline	Literature
Product uncertainty	Consumer unable to experience the products prior to ordering	Consumer experience and test products before ordering	Fu et al., 2016; Griffis, Rao, Goldsby, & Niranjan, 2012; Hjort & Lantz, 2012
Anonymity	No face-to-face interaction with store staffs	Face-to-face interaction with store staffs	Hjort & Lantz, 2012; Shah, 2014

### **2.2.1 Previous studies and alternative terms of fraudulent product returning behavior**

Wilkes (1978) assesses consumers' attitude and perception towards fraudulent acts against businesses by consumers in his article *Fraudulent Consumer Behavior*. The field study in which consumers were asked to scale certain fraudulent actions indicates that, at the time some consumers are very tolerant toward certain fraudulent actions. Wilkes warns that the scale of consumer fraudulent behavior will grow into a more expensive problem for businesses, which has been confirmed by subsequent consumer fraudulent behavior studies over the years.

#### ***Deshopping***

Different definitions have been developed to describe fraudulent product returning behavior. Schmidt et al. are the first scholars to use "deshopping" to address the issue, referring to the behavior of abusing return policies and deliberately returning non-defective products (Schmidt et al., 1999, p.292). Schmidt et al. define the term as:

“‘deshopping’ is the term coined to describe the deliberate – and arguably inappropriate – return of goods for reasons other than actual faults in the product, in its pure form premediated prior to and during the consumption experience as at least a potential outcome of the event.”

Furthermore, Schmidt et al. (1999) proposed that deshopping behavior is a logical result of consumer self-expression and validation in the consumption process. The exploratory study utilizes both quantitative (anonymous survey) and qualitative (focus group) approach and estimates that, among 222 respondents, 23% were deshoppers (67% collected from 332 questionnaires handed out). The in-depth focus group research unveils certain cognitive and behavioral characteristics of deshoppers:

- In the context of resource constraints (e.g. financial constraints), deshoppers regard the return policy as a factor that deemphasizes price and facilitates consumption;
- Deshopping is a part of process of the consumption behavior of deshoppers;
- Deshopping serves as a risk-reducing strategy for indecisive shoppers.

King et al.(2007) research deshopping behavior from a management perspective by conducting nine interviews with the staff of a mass-market women's fashion retailer in London. The qualitative study demonstrates the attitudes of retailers' staff members at different levels towards the act of deshopping, while also emphasizing the fact that researching fraudulent consumer returning behavior may be difficult due to the sensitive nature of the topic, as retailers may not want to share with reseachers information on fraudulent returning behavior that are committed by customers of their organizations. The term deshopping and additional terms have been adapted in many subsequent studies on consumer fraudulent returns. Retail borrowing (Piron & Young, 2001) and unethical retail disposition (Rosenbaum & Kuntze, 2003) are coined in relevant literatures.

### ***Retail borrowing***

Consumer retail borrowing behavior is described as “the purchase of an item with the intent to return the same item for a refund once the item has been used” (Piron & Young, 2001). In a survey of 310 undergraduate students at a university in the U.S., Piron and

Young discover that retail borrowing occurs quite often in the retail industry (18% of the respondents confirmed involvement in retail borrowing), especially with apparel items. In terms of demographic distributions, Piron and Young reported that the number of female retail borrowers is nearly four times higher than that of male retail borrowers. Their study uncovers a few motives and explanations behind the behavior of consumer retail borrowing: social needs, economic needs, personal satisfaction needs, professional needs, and altruistic needs.

However, a study conducted by Lee and Johnson (2010) among Korean consumers' fashion product retail borrowing behavior indicated opposite results, compared with Piron and Young's conclusion. Lee and Johnson adopt the mixed methods approach (both quantitative and qualitative methods are employed) on 79 apparel shoppers. The results show a similar percentage of consumers involved in retail borrowing (19.7%), which is consistent with Piron and Young's research in 2001. However, Lee and Johnson's work suggest higher male consumer participation in retail borrowing (M. Lee & Johnson, 2010). This study supports Piron and Young's findings by identifying homogeneous and similar motives such as social needs, work-related needs, fashion needs, and smart shopping needs for retail borrowing behavior.

The contradictory research results indicate that different research approaches may be inconsistent or even totally ignore decisive factors such as cultural conventions, market differences, sample demographics, and other variables. Therefore, it is necessary that more studies be conducted in different countries and cultures, in order to better understand and analyze this universal consumer behavior of modern retailing. In addition, this is supported by Wilkes's article encouraging researchers to further study the interactions between consumer social as well as cultural values and fraudulent consumer behavior (Wilkes, 1978).

### ***Unethical retail disposition***

Rosenbaum and Kuntze describe fraudulent consumer returning behavior as a consumer anomie called “unethical retail disposition” (referred to as URD) in an article in *Psychology and Marketing* (Rosenbaum & Kuntze, 2003). Rosenbaum and Kuntze (2003, p. 29) define URD as “a type of consumer fraud, whereby consumers purchase an item of merchandise with the intent of using it and returning it to a retailer for a refund.”

Rosenbaum and Kuntze show that consumers high in cynicism have a higher tendency to engage in URD behavior as well as use rationalization techniques to justify the fraudulent act. Overall, URD offenders have used eight neutralization techniques to reduce the feeling of guilt when committing fraudulent behavior; while non-URD offenders have employed six rationalization techniques to restrain from committing this specific behavior. Rosenbaum and Kuntze (2003) provide insight from the angle of the neutralization theory and explains the unethical retail disposition behavior from consumers’ psychological perspective. The authors detect an infectious nature of the URD behavior (non-URD consumers may be propelled into engaging fraudulent behavior under certain circumstances) and thus urge retailers to tighten their return policies.

A summary of example literatures that define and research fraudulent consumer returning behavior is listed in Table 4.

Table 4: Literatures on different definition of fraudulent consumer behavior

<b>Definition</b>	<b>Literature</b>
Deshopping	(Harris, 2008; Tamira King & Dennis, 2003, 2006; Schmidt et al., 1999)
Retail borrowing	(Hjort & Lantz, 2012; Piron & Young, 2000, 2001)
Unethical retail disposition	(Rosenbaum & Kuntze, 2003; Rosenbaum, Kuntze, & Wooldridge, 2011)

### **2.2.2 Fraudulent returning behavior in the fashion industry**

Fashion products (apparel, footwear, etc.), among all product categories, have the highest return rates and fraudulent returns. This is particularly true for online fashion products, as the perceived risk of purchasing fashion products online is higher as consumers are unable to try out or examine the goods in order to decide whether to keep the products or return them. In order to reduce the risk and generate more sales, online retailers offer generous return policies (Wood, 2001). In most cases, customers are permitted to return fashion items to an e-commerce business for a full refund with no questions asked. A study designed to test return patterns under different return policies of an online fashion retailer reported return rates of 13.5% to 36.1%. ranging between different product categories (Hjort & Lantz, 2012). Zalando, the giant European online fashion retailer, reported approximate return rates of 50% (Walsh & Brylla, 2016). With the slogan of “Scream for joy or send it back!”, Zalando offers customers incredibly generous return policies (free returns within 100 days from the day of delivery).

Online fashion retailers are expected to have more returns than physical stores as fierce e-commerce competition forces them to exercise more lenient return policies. Many researchers have written journal articles in exploration and explanation of fashion e-commerce fraudulent returning behavior by consumers. Hjort and Lantz (Hjort & Lantz, 2012) design a study to research Swedish customers’ return patterns of party dresses for the fashion website nelly.com. The study indicates a positive relationship between lenient return policies and (fraudulent) returning behavior (retail borrowing), which is supported in findings of other literature as well (Kang & Johnson, 2009; Lantz & Hjort, 2013). The study utilizes large sample data of over 192,000 active customers during a 12-month period. The results report a return rate of 31.5% for party dresses, a much higher rate compared to the average return rate (17.4%) of other items. Another study finds that when consumers know that lenient return policies are in place, high return rates are associated with unplanned hedonic purchases(Seo, Yoon, & Vangelova, 2015).

This finding can serve as an explanation for the much higher return rate of party dresses, because the purchase of party dresses has a more hedonic purpose than a practical need.

Even though most researchers and practitioners perceive consumer product returns as a negative aspect of profitability, there is always a silver lining. Hjort et al. discover that most frequent shoppers who bring in profits to retailers are also frequent returners (Hjort, Lantz, Ericsson, & Gattorna, 2013). Retailers are not stranded in the face of the rising return rates, because both retailers themselves and researchers are coming up with methods to deal with it as to ensure profitability for their businesses. The NRF report suggests that retailers increase prices to offset the negative monetary effect of product returns (NRF & The Retail Equation, 2015). Ülkü et al. prove that by implementing optimal return policies (by optimizing two parameters: price and return deadline), retailers can expect to see an increase in its profits despite the negative effect of fraudulent returns (Ülkü, Dailey, & Yayla-Küllü, 2013).

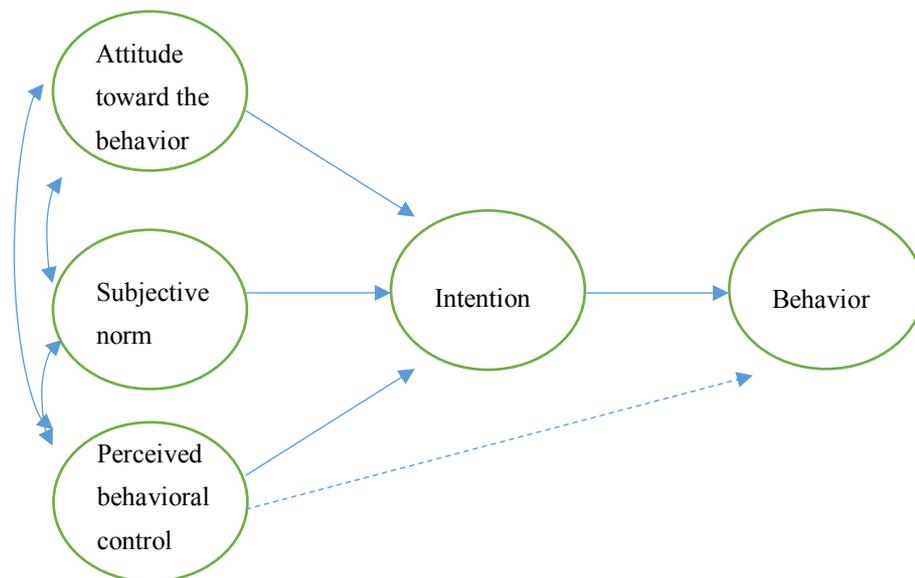
### **2.3 Theory of Planned Behavior**

The theory of planned behavior is developed and refined by Ajzen to predict and explain human behavior (Ajzen, 1991). Ajzen presents a theoretical model in which attitudes towards the behavior, subjective norm and perceived behavioral control work jointly to influence a person's intention and behavior. According to Ajzen, attitude towards a behavior is a person's evaluation (positive or negative) of the behavior, which is determined by a person's beliefs towards the certain outcome that follows the behavior in question. Subjective norm is a person's perception of the judgement (approval or disapproval) of significant referents in certain social surroundings (e.g., spouse, parents, friends) towards a specific behavior. For example, some studies show that (fraudulent) product return behavior is infectious, because the reference group can have significant influence on consumers' product return intention and behavior. Perceived behavioral control is a person's perceived ease or difficulty of committing the behavior. For

instance, lenient return policies increase the probability of product returns, as consumers perceive it quite easy to return the product.

The theory of planned behavior is one of the most widely used theoretical frameworks by researchers for the research of human behavior (Ajzen, 2002) and is frequently applied in studies that attempt to explain consumer (fraudulent) product returning behavior (Fukukawa, 2002; T King, Dennis, & Wright, 2008; Tamira King & Dennis, 2003, 2006; Mun, Ju, & Johnson, 2014). A few examples of articles that apply TPB in the study of consumer fraudulent returning behavior are listed in Table 5. The three dimensions of the theory of planned behavior are all tested and supported in these studies of consumer fraudulent returning behavior. Attitude, subjective norms, and perceived behavioral control are all highly associated with the intention of fraudulent returning behavior. King and Dennis develop the TPB model by adding past experience as a factor that affects a person's attitude toward and perceived behavioral control over the behavior (Tamira King & Dennis, 2003).

Figure 1: Theory of planned behavior.



Source: *The theory of planned behavior* (Ajzen, 1991)

Researchers provide similar managerial suggestions such as education on consumers to influence the attitude and subjective norms, and tighten return policies to alter the perceived behavioral control. A common finding of these articles is that past fraudulent experience is strongly associated with perceived behavioral control, which indicates that past successful fraudulent returning experience will reinforce future repetition of such behavior. One of the research results of Mun et al. (Mun et al., 2014) suggest there is no evident connection between knowledge of return policies and attitude towards fraudulent returning behavior, which is inconsistent with Harris's findings (consumers' knowledge of return policies greatly affects fraudulent returning) (Harris, 2008).

Table 5: Examples of literatures adopt TPB to explain fraudulent returning behavior

Table 3: Examples of literatures adopt TPB to explain fraudulent returning behavior					
Article	TPB analysis				Additional dimensions
	Attitude	Subjective norms	Perceived behavioral		
(Tamira King & Dennis, 2006)	Closely associated with fraudulent returning behavior. (Authors suggest introduce education programs to establish right attitude)	Opinions from other people matter to deshoppers	Deshoppers perceive the fraudulent returning process as easy (tightened return policies can change that perception)	-Past experience: there has not been any negative outcome of practicing fraudulent returning (thus deshoppers perceived the act as being easy and without consequences). -Actual control: there is almost no actual control over the fraudulent behavior.	
(Fukukawa, 2002)	-Risk taking (the feeling associated with risk and thrill to do something that seems to be wrong) -Expediency (an attempt of taking advantage of something for one's own benefit) -Consequence to actors (possible outcomes to businesses and other members of a society)	-Peer influence -Societal influence -Irrelevance of ethical dimensions (the perception that a specific behavior is considered to be normal)	-Opportunity (benefit expected to gain from a fraudulent act) -Avoidance of trouble (not wanting to practice an action to avoid extra effort)	-Pricing (perceived unfairness in relation to pricing) -Business performance (perceived unfairness in relation to general other performance of firms) -Retaliation (Retaliation to firms that is perceived as unfair)	
(T King et al., 2008)	Closely associated with deshopping behavior.	Deshoppers are influenced by other people's opinions.	Deshoppers have not experienced negative outcomes of fraudulent returns, which reinforces their perceived behavioral	N/A	
(Mun et al., 2014)	-Past experience with borrowing is positively related to attitude toward retail borrowing. -Perceived impact of borrowing on a retailer is negatively related attitude toward retail borrowing.	Subjective norm is positively related to retail borrowing intention.	Perceived behavioral control is positively related to retail borrowing intention.	There is no evident connection between knowledge of return policies and attitude toward retail borrowing.	

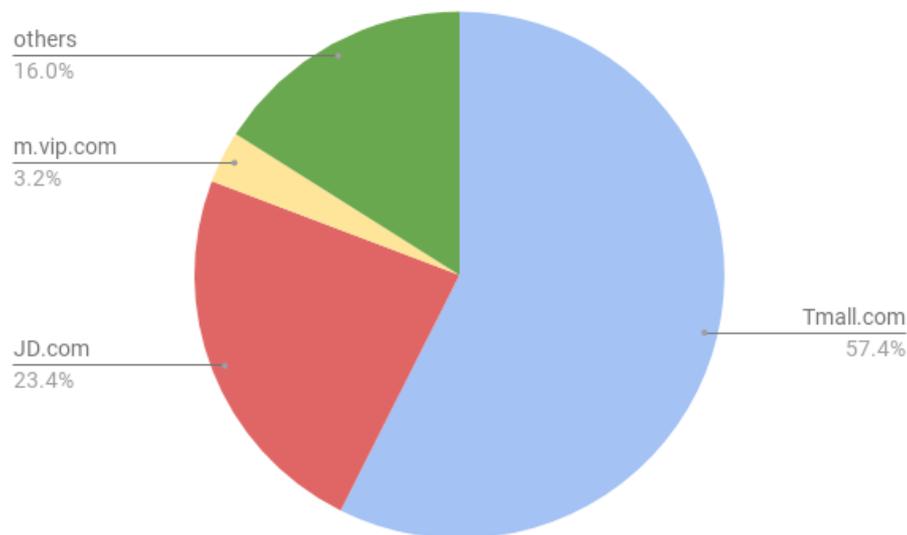
## **2.4 China's e-commerce market and the features of the return policies**

### **2.4.1 China's e-commerce market**

China has witnessed the expansion of its e-commerce market in the past decade. According to the PwC China retail & e-commerce report, China's online retail transaction scale is projected to reach 7.5 trillion Yuan by the year 2018, with a compound growth rate of 138% from 2011 to 2018 (PwC, 2017). The giant media company GroupM revealed in a survey in June 2014 that 71% online shoppers say that they prefer buying online to physical retail stores (eMarketer, 2014). The China Internet Network Information Center (CNNIC) reported that the number of Chinese e-shoppers had reached 302 million by the end of 2013, 75.6% of whom have bought fashion products (apparel, shoes, etc.) (CNNIC, 2014) online.

China's online B2C market is basically dominated by Tmall.com and JD.com, the two most popular e-commerce platforms or marketplaces (Figure 2). Thus, China's E-commerce market is not as fragmented as that of other countries. According to the China E-Commerce Research Center, by the end of 2015, China had an e-commerce consumer base of 460 million online shoppers (CECRC, 2015). With such a huge online consumer base, the fashion product online market is vast and so is the expected growth of online product returns. The CECRC reported that the "return process" is the fourth most complained issue (accounts for 12.32% of all complaints) among the top 10 complaints on online retailing. However, the issue of product returns has not gained enough attention. In fact, there has not been official reports on actual consumer product return rates. China Briefing reports a 40% product return rate (including products damaged during logistics process), which has not been confirmed by the big e-commerce platforms after the 2013 Single's Day shopping frenzy (Liddle, 2015).

Figure 2: China's B2C e-commerce market



Source: China E-Commerce Research Center (CECRC, 2015)

#### 2.4.2 Features and implications of the product return policies in the Chinese online market

There are several features that distinguish the Chinese e-commerce market and thus the consumer online product returning behavior:

- **Marketplace/platform dominated:** The Chinese e-commerce B2C market is generally dominated by a few platforms, through which many different retailers sell their products to consumers. Retailers have customer teams that provide instant responses to consumers' enquiries through instant message tools such as TaobaoWangwang, or other adds-on tools. Sellers may establish various return policies on different product categories.
- **7-day no questions asked return policy:** China passed the law on Protection of Consumer Rights and Interests in October 2013, requiring online retailers offer customers a compulsory 7-day no questions asked return deadline.
- **Return freight insurance:** Many online sellers require shoppers to bear the return

freight if “the seller is not the liable party”. In order to solve the dispute between buyers and sellers on the return freight expenses, some insurance companies developed the return freight insurance for both buyers and sellers. Buyers can opt to pay for a return freight insurance fee (usually 5% of the estimated return shipping fee), for that specific order along with the order payment. If the purchased product is to be returned to the seller, the insurance company will compensate on the return shipping fee within 72 hours upon the completion of the order (Alipay, n.d.). This insurance reduces consumers’ perceived risk of online shopping, resolves disputes between buyers and sellers, and largely facilitates the return process. While some time after the introduction of the return freight insurance, some opportunists found the system-loophole and abused the system to benefit themselves (i.e., freight insurance fraud) (Liu, Wenyan, & Li, 2013), which led to the insurance companies to adjust their insurance policies to tackle the freight insurance fraud.

A typical return policy of a flagship online store in Tmall sheds some light on how different the return policies in China’s online market is to that of the European market. The British footwear brand Clarks’ flagship store in Tmall (clarks.tmall.com) has its return policy as:

*“We support 7-days no-questions asked returns, but customers need to bear the return freight, should the return cause is not be a quality problem of the item/s”.*

And the return procedure contains quite a few requirements: (1) returned items should be kept in their original condition and package; (2) the items should have not been worn (no bruise or dust on the item), and the original package should not be contaminated; (3) please send the delivery slip along with the returned items. If you have lost the delivery slip, please write a note with these details: your order ID, order number, product name, reason of returning, contact person, contact number. (4) we do not accept mails sent via post office. Please use logistic

*companies such as S.F. Express, Sto Express, etc. (5) If the original packages are damaged or contaminated, we shall charge 50yuan/box from the refund amount.*

While on Clarks’ online store in United Kingdom (www.clarks.co.uk), online consumers have 30 days to return the items “in their original condition” to get a full refund. Moreover, consumers can choose to return via a Collect+ point (pick-up point), via the post office, or return to the store and all three methods of returning are free of charge. Comparing the return policies and procedures in China with some Western countries, it is concluded that online stores in China are imposing significantly stricter return policies (Table 6).

Table 6: Comparing return policies between Clarks’ online store in China and UK

Website	Return deadline	Return shipping fee	Conditions
clarks.tmall.com	7 days	Customers bear	Many specific restrictions other than “in original condition”
www.clarks.co.uk	30 days	Free of charge	Only “in original condition”

To conclude, China’s online retail environment differentiates itself by offering stricter return policies and procedure requirements to that of the online retail environment in Western countries. Table 7 demonstrate a brief comparison of the return policy leniency between China’s and Western online retail context. Firstly, in terms of time leniency, China’s legislative regulation requires online retailers to offer a 7-day no-question asked return policy, which is less lenient than that of 14 days in Western countries. Secondly, most Chinese online retailers do not cover the return freight, while most online retailers in Western countries cover the return freight. Lastly, Chinese online retailers demand more effort from the consumers in the product return process

compared to that Western online retailers do.

Table 7: Product return policy leniency comparison

	China's online retail environment	Western (UK, Europe, USA) online retail environment
Time leniency	legislative regulation: 7-day no-question asked return policy  Practice: most online retailers offer 7 days' return deadline.	legislative regulation: 14-day no-question asked return policy  Practice: most online retailers offer 14 to 30 days' return deadline.
Monetary leniency	Most retailers do not cover return freight.	Most retailers cover return freight.
Effort leniency	No prepaid label.	Most retailers offer prepaid label.

The rapidly developing Chinese online retail market has started to draw the attention of retailers and researchers to the product return issue. However, literature on Chinese consumer product returning behavior is still limited. The digital disruption in China is somewhat a different and more radical one to that of developed countries, because the online retail has outpaced and disrupted the offline market. The online market has thrived without a mature offline market in place. As McKinsey remarks, China's retail industry has skipped certain stages, which is not the same as compared to other markets, and subsequently so will the management of product return (Chen, 2014).

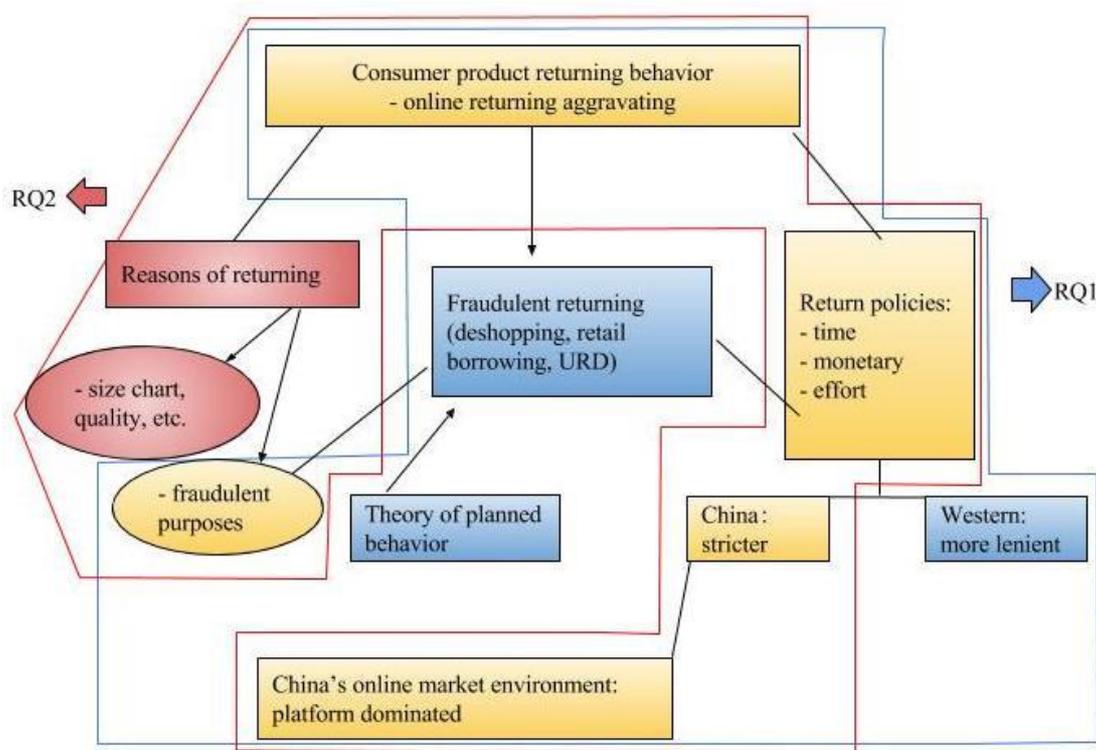
Liu et al. (Liu et al., 2013) conducted a multi-stage study (one in-depth interviews and three experimental studies) to examine consumer opportunistic claiming behavior (including freight insurance deception, and fraudulent returns) on China's largest C2C platform taobao.com. The findings not only uncover characteristics of the consumers who are more prone to claiming opportunistically (consumers high in Machiavellianism), but also provide managerial guidance to retailers (differentiate service guarantees to different consumers), which are of good reference value. Another

implication of this research is that the reference group can influence consumers' behavior (honest consumers may be misguided by opportunistic customer and constant exposure to information about opportunistic phenomenon), which echoes previous findings that fraudulent behavior can be infectious.

## 2.5 Synthesis of the theoretical framework

Literatures are reviewed and categorized in order to establish the literature framework and build the required research structure. Literatures on consumer product returns are categorized according to their research focal points (e.g., online, offline, return policy, e-commerce, fraudulent consumer returning behavior, TPB, etc.). The categorized literatures then serve as foundation and guideline for the research as to fulfill the research objectives. A synthesis of the theoretical framework is shown in Figure 3.

Figure 3: Synthesis of the theoretical framework



# **3 RESEARCHING CONSUMER ONLINE RETURNING BEHAVIOR IN CHINA**

## **3.1 Research methodology**

### **3.1.1 The philosophical framework**

Research philosophy is of great importance to a research project, since all research methods are closely connected to it. In order to achieve a solid research design and strategy, it is beneficial to gain some knowledge of the basic concepts of research philosophy (Eriksson & Kovalainen, 2008). The core concepts of social science research philosophy are ontology, epistemology, and methodology, which can be observed as a framework that provides a guideline for the research.

Ontology concerns about the nature of existence and relationship between all things in general. Objectivism and subjectivism are two divisions of the ontology philosophy. Objectivism views the world as an independent reality that is separated from people's activities. Subjectivism, also referred to as constructionism, on the contrary, sees the world as the interpretation of the experience and perception of a person (Eriksson & Kovalainen, 2008). Epistemology seeks to address the sources and limits of the knowledge, that is, how the knowledge is produced and justified (Eriksson & Kovalainen, 2008). In the division of objectivism, knowledge is produced and justified in an objective way, free of external influence (e.g., values, bias, etc.). While constructionists believe that knowledge is socially constructed, and there is no knowledge that is beyond human interpretation (Eriksson & Kovalainen, 2008). Methodology refers to certain ways that guild the research process in order to build the knowledge (Eriksson & Kovalainen, 2008), and the certain ways are the methods that are implemented in the research process. Methods are "the strategies and procedures

for implementing research design, including sampling, data collection, data analysis, and interpretation of the findings” (Teddlie, C., & Tashakkori, 2009, p.21).

As Creswell (2009) states, a philosophical worldview is a general orientation that a researcher holds toward the world and the nature, and will guide the researcher to a certain approach in the research (Creswell, 2009). The basic concepts of the research philosophies stated in the previous paragraph lay the foundation for the execution of this research – what questions are to be asked and in what ways (methods) they are to be answered. Since the nature of this research is more prone to understanding, constructing social meanings and generating theories, it is considered to have a constructivism philosophical worldview.

### **3.1.2 Quantitative and qualitative approaches under the philosophical framework**

In this philosophical framework, quantitative and qualitative methods take their own stands as objectivist and constructionist to answer the ontological, epistemological, and methodological questions. Teddlie & Tashakkori (2009) defined quantitative methods as “the techniques associated with the gathering, analysis, interpretation, and presentation of numerical information” (p.5), and quantitative approaches are subjected to the term of positivism, which holds that the social reality is distinguished from the values of researchers (Teddlie, C., & Tashakkori, 2009). On the other hand, qualitative methods are defined as “the techniques associated with the gathering, analysis, interpretation, and presentation of narrative information” (p.6). Qualitative approaches are based on the ontological assumption that the knowledge perceived by each person is different and context-based.

Qualitative research is to explore and understand the reality as socially constructed and interpreted through cultural meanings (Eriksson & Kovalainen, 2008), i.e. exploratory research that is employed to obtain understanding of opinions, reasons, or motivations

of the researched persons. A qualitative research is a process that involves interaction between the participants and researchers and allows the researchers to have more imagination and interpretation in the research process. On the other hand, quantitative research is defined as “a means for testing objective theories by examining the relationship among variables” (Creswell, 2009). It depends on numerical statistics (numbers, rates, percentages, etc.) to generalize results (Hesse-Biber & Leavy, 2005). Hesse-Biber & Leavy also differentiate qualitative research from quantitative research by their purposes - qualitative research is for understand social meaning while quantitative research gives patterns and predictability. Qualitative inquiry adopts the inductive style to carry out the research, quantitative research takes the form of deduction.

## **3.2 Research strategy**

### **3.2.1 Combining qualitative and quantitative method**

Qualitative and quantitative approach investigates the phenomena from different perspectives. However, there is no clear-cut choice for a researcher between quantitative approach and qualitative approach. As Eriksson & Kovalainen (2008) write, many researchers apply both induction and deduction in different phases of their studies. The research outcome would be far more informative if the two approaches are combined. Thus, to fulfill the research purposes, researchers have the freedom to use both approaches in their study, or in another term, mixed methods approach. Creswell & Clark acknowledge the significance of mixed methods approach in social and behavioral research, as mixed methods enhances the strengths and offsets the weaknesses of both quantitative and qualitative research (Creswell & Clark, 2011).

This study attempts to explore Chinese e-consumers' perception of fraudulent returning behavior and identify the characteristics of Chinese consumers' online returning behavior on fashion products. Therefore, the purposes qualify the use of a qualitative

inquiry. Employing a qualitative approach helps the researcher dig into the participant's underlying reasons, values, attitude, decision-making process, and so on. The researcher can understand the feelings of the participant in a certain social context, which helps better understand the whole behavioral process. For example, conducting open-ended question interviews is a preferred choice because it allows deeper conceptual understanding of the participants' experience and helps discover overlooked antecedents that may be of interest to the topic. Moreover, the one-on-one conversation provides more first-hand anecdotal information, which is a valuable resource for analysis and interpretation. Qualitative studies are exploratory, as the phenomena or the theories are unknown (Creswell, 2009). The previous studies conducted in some western countries have formed some theories on the consumer online returning behavior, which, may not apply to the Chinese market because of the differences in the e-commerce market and consumer base. Thus, the specific consumer behavior research is also exploratory, since there may not be previous models to follow. Nevertheless, there is no perfect research method. Qualitative approach has its own limitations. In terms of generalization of the information, qualitative approach does not work as efficient as quantitative approach. Its limitation also shows in the assessment of relations between variables, which again, quantitative method yields better results. Thus, qualitative research alone is not sufficient in this case.

Quantitative method enables the collection of information from a larger sample of participants that can provide generalized results. Strong evidence of the data comes from a quantitative research, for example, a web-based survey. It is especially useful if a relevant variable is to be rated by the participants, and how a variable affects the outcome. In this way, the quantitative approach serves as a complimentary method to the qualitative approach, making the research more applicable to a general scale.

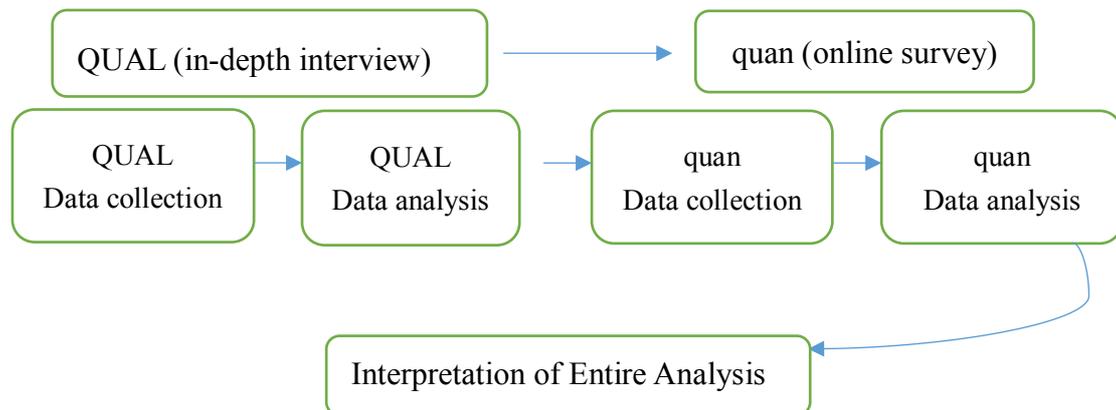
### 3.2.2 Mixed methods approach

The practice of combining different research methods was initiated in 1959 (Creswell, 2009) and mixed method research design has been gaining increasing attention from researchers in the last decade (Tashakkori, A., & Teddlie, 2010). In the studies of consumer product returning behavior, some researchers also adopt mixed methods (M. Lee & Johnson, 2010; Schmidt et al., 1999). Creswell (2011) describes a mixed methods design starts with qualitative and followed by quantitative method as the “Sequential Exploratory Design”:

*The sequential exploratory strategy involves a first phase of qualitative data collection and analysis, followed by a second phase of quantitative data collection and analysis that builds on the results of the first qualitative phase (Creswell & Clark, 2011).*

It is therefore pragmatic to choose a mixed methods research strategy in this study. Firstly, consumer online product returning behavior and fraudulent returning behavior is relatively unexplored in China. To explore the issues from consumers’ perspective, it is necessary to conduct qualitative research to understand the issues in a deeper extent. In this study, in-depth interviews are employed as the qualitative research method to interpret the research topic from consumers’ points of view. Secondly, a follow-up quantitative research can be developed based on the understandings from the qualitative research. With the research outcome of the qualitative study, the researchers are equipped with certain knowledge into the topic, thus able to accomplish a more targeted and purposeful research design. Figure 4 displays an outline of the research methods of this study.

Figure 4: Sequential exploratory design



*Source: Adopted from Creswell (2011)*

As Figure 3 displays, the sequential exploratory research starts with qualitative in-depth interviews, during which qualitative data are collected and analyzed. Then it moves on to a quantitative online survey, where the quantitative data are also collected and analyzed. Afterwards, an overall interpretation based on the two studies is to be presented.

## **4 RESEARCHING CONSUMERS' ONLINE RETURNING BEHAVIOR IN CHINA**

### **4.1 Study 1: qualitative in-depth interviews**

#### **4.1.1 Conducting the research**

Since the behavior of consumer online product returns is still a new concept in the Chinese online retail industry, Study 1 is designed as a qualitative one in order to fulfill the research agenda of exploring the nature and extent of Chinese e-consumers' product returning behavior. In Study 1, 8 in-depth interviews were conducted respectively with 8 Chinese consumers who have shopped and returned fashion products online in the past six months. The interviewees consist of 5 male respondents and 3 female respondents living in different cities in China. The interviews were facilitated by long-distance audio chat via a Chinese instant message application - WeChat and recorded with a cellphone. Although telephone or long-distance audio interviews do not allow the interviewer to make on-site observations, they can be more effective when sensitive questions are asked because it may be less intimidating for the interviewees to communicate/respond (Bryman, 2012). Each interview lasted for approximately 20 to 30 minutes. The interviews are semi-structured interviews with mostly open-ended questions, and the tone of which is generally informal and conversational. Respondents feel more at ease in semi-structured interviews, thus are more willing to give in-depth responses that will aid the researcher gain a more comprehensive understanding about the topic (Eriksson & Kovalainen, 2008).

#### **4.1.2 Data collection**

The interviews were conducted via long-distance audio chat and the interviewees were encouraged to share as much information as possible. A consistent interview approach

and style was maintained by the interviewer with all respondents. Firstly, the researcher briefly explained the nature (friendly conversational tone) and purpose of the interview to the interviewees and emphasized the protocol of confidentiality and anonymity of the conversation – that which is revealed in the interview is solely used for academic purpose. Secondly, the interviewer started to utilize semi-structured interview techniques to engage the interviewees in a conversation to speak freely about their online product returning experience. At this stage, the interviewer listened attentively to the interviewees and tried to maintain a good balance between intrusive and responsive. The interviewer would take notes on the interviewees’ notable remarks and ask follow-up questions to further discuss and explore the topic. The interviewees live in 6 different cities in China, whose ages range from 25 to 31 years old with online shopping experience ranging from 3 years to 11 years. The characteristics of the interviewees are listed in Table 8. The interviews were audio-recorded and later carefully transcribed into text material for data analysis.

Table 8: Characteristics of interviewees

Participants	Gender	Age	Online shopping experience	Interview time
A (Chi)	Male	27	6 years	23min
B (Hou)	Male	31	10 years	20min
C (Liang)	Female	25	10 years	21min
D (Liao)	Male	29	10 years	25min
E (Ye)	Male	29	10 years	23min
F (Huang)	Female	29	11 years	12min
G (Zhang)	Female	25	3 years	24min
H (Yang)	Male	28	6 years	16min

### **4.1.3 Data analysis**

In the data analysis process, the recordings of the eight interviews were transcribed. The interview transcripts are originally in Chinese language which the author tried to translate as meticulously as possible to provide authentic and readable transcripts. The author then utilized Bryman's coding technique to analyze the interview transcripts. According to Bryman (2012), the coding process includes four stages:

- a. Firstly, the author read the transcript in its entirety and made notes where considered necessary. Major theme such as "reasons of returning", and "own experience of returning" were recorded.
- b. Secondly, the author read the text again and highlighted keywords and labeled codes. Categories were identified during this step.
- c. The categories were then systematically indexed and reviewed. For example, Category 1 is "Reasons of online product returning, and the relevant themes were organized to support this Category.
- d. After the qualitative analysis, the author provided interpretation and discussion on the findings.

### **4.1.4 Results and findings**

Most participants have years of online shopping experience with the majority having and purchased and returned fashion products in the past six months. Their return rates ranged from "rarely return products" (Participant B and Participant H) to "50% of the products were returned" (Participant G). The most mentioned reasons for product returns are "wrong size", "unsatisfactory quality", and "not as portrayed online", which is consistent with the results of previous studies. Three participants revealed that the price of the product is an important criterion for them to decide to go through the returning procedure: if the price of the specific product is costly, and he/she is hesitant, he/she is more likely to return the product; if the price of the product is cheap, he/she

may not bother to return it. Participants had divided perceptions about whether returning products online is convenient or inconvenient and had divided preference on returning products online as opposed to physical stores. Most participants mentioned two e-commerce websites they most shopped from: Tmall.com and JD.com. More than half of the participants had not heard of anecdotal stories of fraudulent returning (retail borrowing) behavior by consumers, while a third of them confirmed they had heard stories of such consumers (only one real life example). None of the participants have confirmed to committing fraudulent returning behavior. Only one participant (Participant C) admitted she had once ordered the similar items from different sellers and then decided to only keep the preferred one and return the rest. This behavior verifies one of the motives for online product returns (benefit maximization driven) in the findings of Saarijärvi et al. (2017). In terms of perception of consumer retail borrowing behavior, participants elaborated their own insights. Based on the transcripts, the author utilized the coding technique (Bryman, 2012) and Mayring's guide for qualitative content analysis (Mayring, 2000) to process the data and compiled the following categories:

***Category 1: Reasons of online product returning.***

The most frequently mentioned reasons of returning products online are “wrong size”, “not as portrayed online”, “quality not as expected”. For example, Participant G and D mentioned the main reason for returning fashion products is that the items are not well-fitting:

*“The main reason is the clothes don't fit my body, the second reason is the product is not quite the same as shown on the internet. The third reason is the quality.”*  
(Participant G)

*“About 50% of the shoes I bought were returned. Mostly because the shoes don't fit my feet.”* (Participant D)

Participant C pays more attention to the quality of the products:

*“Mostly I return the products because I’m not satisfied with the quality, or it’s not as good as the website describes, or wrong sizes.”* (Participant C)

For some respondents, price of the product is an important factor when deciding whether to return the product or not. If the consumer perceives the price of a product as low enough that he would rather keep the product than undertaking the trouble and return shipping fee of returning it. In contrast, higher price products are more likely to be returned by consumers.

*“For me, my benchmark is the price of the product, if the product is expensive, it doesn’t matter if I have to pay the return shipping fee.”* (Participant D)

*“...but if the price is high and it doesn’t look good on me, I will consider returning it.”*  
(Participant C)

### ***Category 2: Consumers’ own experience and perceptions of online product return.***

Some participants have positive experiences and opinion associated with online product returns, while others perceive online product returns as inconvenient. On the one hand, efficient logistics was mentioned repeatedly as an advantage of online returning.

*“I prefer returning a product online because it’s very convenient and the logistics system is very efficient.”* (Participant A)

*“JD.com has very good service. It sends delivery guys to pick up the to-be-returned goods. JD has high efficient logistics. But third-party sellers (Taobao) don’t provide such good service. The returning procedure is more troublesome.”*  
(Participant D)

On the other hand, comparing with returning products to physical stores, participants prefer to return to online stores, as the latter is perceived easier and more convenient. One participant remarked that she chooses to return products online so as to avoid face-to-face interaction with store staffs.

*“It seems like a lot of physical stores don’t accept returning... there is 7-day return policy for online shopping...in this sense, online returning is more convenient.”*

(Participant C)

*“My shopping habit has changed and I have a lot of successful product returning experience in online shopping. I worry there will be arguments if I try to return a product (in a physical store). I think the success rate is higher online, and it’s kind of awkward for me to have to return a product face-to-face with the shop assistant.”*

(Participant F)

Although some consumers perceive online returning as convenient, others hold the view that the procedure of returning (filling in information, contacting delivery, etc.) is troublesome and slow.

*“The troubling part is I have to fill in my shopper ID and the reason of returning the product, and have to contact the delivery guy and fill in the shipping notes or go to a mailing place.”* (Participant C)

*“My experience with online product returning is the procedure is too slow...”*

(Participant D)

Some even have had returning experience where the seller asked for “proof”, which, most of the time in the form of photos of the products. These negative reviews and perceptions on past returning experience could be explained by the tighter return policies offered by the Chinese e-commerce platforms.

*“I don’t want to get in an argument with the seller. I think there is a good chance of argument when returning is involved.”* (Participant H)

*“I think it’s troublesome to return a product online, because the seller will ask you for ‘proof’, and you have to contact the logistics company.”* (Participant E)

### **Category 3: Other dimensions of online product returns in China.**

Other dimensions related to online product returns include: 7-day no-questions asked return policy, return shipping fee, return freight insurance, and seller’s attitude (third-party sellers).

Participants are all well aware of the 7-day no-questions asked return policy, which is offered by most online sellers. Although consumers can return products within 7 days after receiving the products, they need to contact the delivery service and pay the shipping fee.

*“Although there is the 7-day return policy, you still have to go to the delivery company and pay the shipping fee. You actually have to have a reason to return a product. Sometimes you need to communicate with the seller and inform them of the problem. Even though you are returning a product because of quality problem, you still need to pay the shipping fee first.”* (Participant E)

*“I had to pay the return shipping fee. Unless it’s quality problem (the retailer pays).”* (Participant G)

In the Chinese e-commerce market, the return freight insurance is introduced to reduce consumers’ hesitation in the pre-purchase stage. Consumers pay a small amount of money (usually a certain percentage of the shipping fee) and the insurance will cover the return shipping fee should the return is initiated.

*“If you are not sure about buying a product or not, you can buy a return freight insurance.” (Participant G)*

*“The return freight insurance settles the problem of who pays the return shipping fee. If you are hesitating whether to buy a garment or not, the insurance lowers the hesitation.” (Participant D)*

Sellers’ attitude plays a part in consumers’ returning decision process as well:

*“If the retailer is not actively involved in solving the problem, I mean, not suggesting exchange or giving an explanation, I will return the product right away.” (Participant G)*

*“If I were to return a product, the main reason would not be the retailer’s attitude when communicating. If the attitude was bad, I would definitely return the product.” (Participant H)*

***Category 4: Anecdotal stories about fraudulent returning (reference group).***

Most of the participants have never heard of anecdotal stories about fraudulent returning. Two participants report they have read articles about consumer fraudulent returning on the internet.

*“I read from the internet that this phenomenon (fraudulent returns) is quite common in some western countries.” (Participant A)*

*“I read somewhere on the internet. I don’t remember what the story was about though.” (Participant 2)*

One participant has heard a colleague’s friend once performed fraudulent returning online.

*“One of my colleague’s friends bought a set of suits so he could wear it and attend*

*an interview. After the interview, he returned the suit. It's funny.*" (Participant F)

**Category 5: Perception of fraudulent returning behavior.**

Most participants consider retail borrowing or fraudulent returning behavior as an unethical conduct that would harm the sellers' interests. Two participants remark that this conduct is taking advantage of and exploiting the lenient return policy loophole.

*"I think this behavior is quite unethical. The 7-day return policy is based on principle of good faith, which means the premise is that consumers and sellers will behave ethically... You can't merely count on good faith because some people will take advantage to benefit themselves. Of course, I think consumers who are fraudulently returning goods online are minorities."* (Participant A)

*"I despise this kind of behavior (fraudulent returning). The consumer gets to wear the clothes for free without any loss, but it's harmful to the seller. I wouldn't do something like this."* (Participant D)

*"I think it's taking advantage and exploiting a favorable policy. It's renting the clothes for free."* (Participant E)

*"I think it's taking advantage of the loophole. I wouldn't do this."* (Participant F)

*"It's a moral issue."* (Participant G)

One participant comments that such behavior is somehow inevitable, but he believes such behavior will not aggravate.

*"It happens. It's a loophole of the policy, it's inevitable. But I believe most people will abide by the rules and will not do this. And this phenomenon is way under the safety line, meaning that the retailers can afford this fraction of 'loss'. And this is not getting more popular, because it's the whole population of e-shopper that is*

*getting larger, not the number of this kind of fraudulent e-shoppers.”* (Participant H)

One participant reported she has once tried to order similar product from different sellers with the intention of keeping the favorite one, which she perceived as reasonable. This behavior falls in the “benefit maximization driven” category developed by Saarijärvi et al. (2017). Although this experience of Participant C is categorized in fraudulent consumer returning, she has only performed once during a 10-year online shopping period. In addition, Participant B remarked that fraudulent returning is reasonable although he has not previously performed the act.

*“I have once tried to order similar product from different sellers and see which I like best. Then I kept the favorite one and returned the rest. I think it doesn’t matter. And there is the 7-day no question asked return policy.”* (Participant C)

*“I think this kind of behavior does exist and I find it reasonable. If I need a costume only once for a dance, a party or a speech, and the price is beyond my budget, I’d have to rent it. Now taobao.com provides the chance to rent for free. Ethically I accept this behavior. It makes sense to me. Although I have never done it.”*  
(Participant B)

The purpose of the qualitative interview is to explore Chinese online consumers’ perceptions of fraudulent returning behavior and identify characteristics of their returning behavior. The interview data shows that the main reasons for returning products online are product related issues such as “wrong sizes” and “unsatisfactory quality”, which is consistent with results of previous research in Western countries. One participant spoke about the experience of having to return “wrong sized” shoes even though he had chosen the right size according to the size chart. This reason of returning complies with the “size chart driven” category in the findings of Saarijärvi et al. (2017). There is no evident sign of fraudulent returning behavior among these

Chinese online consumers – only one out of eight respondents have conducted “benefit maximization driven” (Saarijärvi et al., 2017) fraudulent returning. Furthermore, most participants have not read or heard of the fraudulent returning behavior.

Additionally, what is also worth mentioning is that two participants revealed the consumers’ lack of knowledge of physical retail stores’ return policies.

*“I prefer to return products online. I have never returned apparels in a physical store, it seems like a lot of physical stores don’t accept returns. I have once bought a product in Watson’s (health and beauty care store), the product broke after one use. So, I took it back to the store. But they wouldn’t let me return or exchange it.”*

(Participant C)

*“I don’t have any product returning experience in physical stores, I don’t know about the return policies there. I worry there will be arguments if I try to return a product. I think the success rate is higher online...”* (Participant F)

The fact that consumers do not have sufficient knowledge and experience on product returning in physical stores may be explained by the under-developed physical retail environment in China. As mentioned in the last chapter, China’s online retailing industry outgrows offline retailing.

Almost all the participants are quite concerned about the degree of convenience when considering product returns. On a managerial level, this means whether the product returning procedure is convenient or not will make a difference in attracting and retaining customers.

Combining the reality in China’s online shopping market and the analysis of the interviews, the author presented the following discussions for Study 1. Firstly, due to the distinct features of China’s online retail environment, where the market is dominated by platforms with various sellers that exercise different return policies,

consumers have mixed perceptions on the easiness and convenience of the online product returning process. Although the sellers' return policies are guided by a standard 7-day no-questions asked return policy, the details of those return policies may vary. For example, both Participant H and Participant E find it troublesome or difficult to return products online, because the seller will ask for 'proof' (e.g., photos of defected products) (Participant E) or there may be a potential confrontation with the seller (Participant H). The most negative perceptions about product returning are associated with platforms where many sellers are involved while without uniformed logistic services. On platforms with good quality and efficient logistics services such as JD.com, most participants perceive it more convenient to return products. Participants view JD.com, which is equivalent of Amazon.com, as "provides better return and logistics services". Since JD.com sells mostly electronics and other durable commodities. Fashion products such as apparel and shoes take up a very small percentage of JD.com's product categories. Based on this, third-party platform Taobao.com and Tmall.com are more relevant to the research topic of this study.

Secondly, there is no evident signs of fraudulent product returning behavior among the participants or within their social circles. The theory of planned behavior can be applied to analyze the interview data. The framework of theory of planned behavior suggest that positive attitude towards a specific behavior, positive subjective norm and perceived behavioral control are positively related to the intention of conducting the behavior. The majority of participants view fraudulent returning behavior as unethical consumer behavior that takes advantage of return policies and harms retailers' interests. In terms of subjective norm, most participants have not heard of the behavior itself or anyone within their social circles who have performed the behavior. Therefore, there is no reference group to represent the subjective norm. None of the participants have fraudulently returned products, and the five out of eight of them perceive product returns as troublesome on the third-party platform Taobao.com and Tmall.com. Compared to the generous return policies of some websites in Western countries, sellers

on these platforms provide considerably less lenient return policies. In most cases, the return deadline is 7 days as stipulated by law. Consumers' perceived behavioral control on the act of product returning is negative. Therefore, it is inferred that the perceived behavioral control on fraudulent returning is negative as well. In the TPB framework, the three elements that affect intention and the ultimate behavior have interaction effect on each other. Although there is no reference group serving as subjective norm, it can be inferred the total influence of these three elements on the intention and behavior of fraudulent returning is negative. This in turn explains the result that no participants have previously engaged in online fraudulent returning. An overview figure is developed to illustrate the findings of Study 1. (Figure 5).

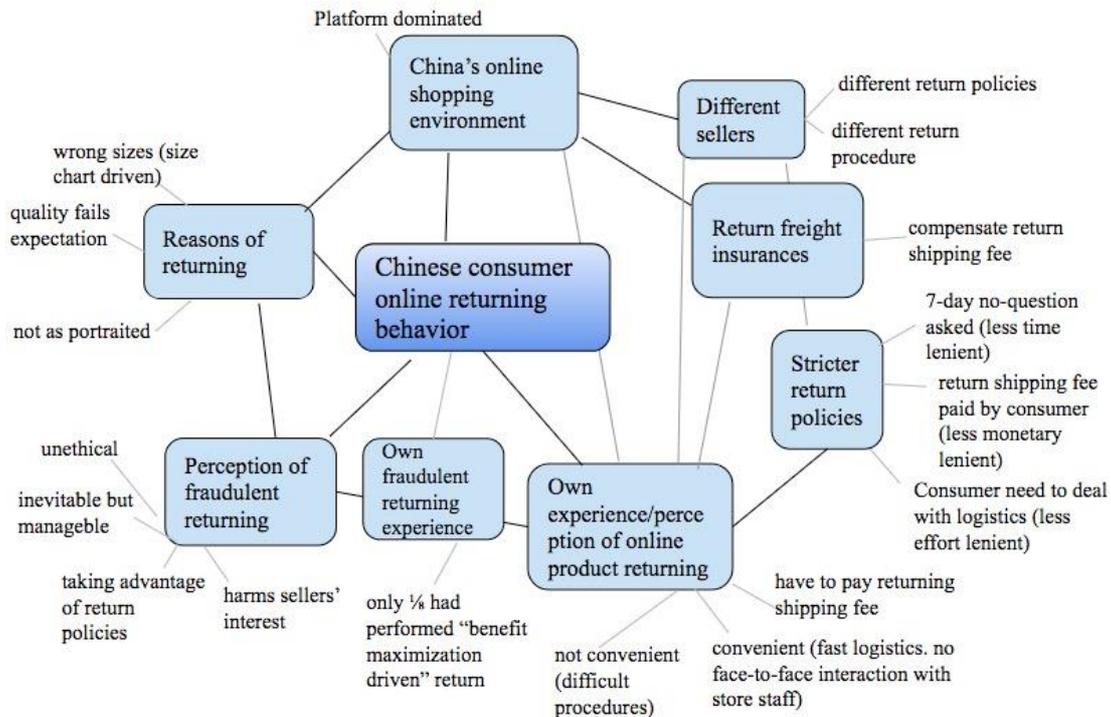


Figure 5: An overview figure of the findings of Study 1

#### 4.1.5 Limitation

An inhering limitation is that qualitative interviews cannot be totally naturalistic (Eriksson & Kovalainen, 2008), since both the interviewer had informed the respondents that the conversations would be recorded for academic use. The second

limitation of the Phase 1 study is that the respondents ages are quite similar, and most of them have many years of online shopping experience, which is not inclusive enough to provide generalizability. The third limitation is that the interviews were conducted through long-distance audio chats, which deprived the interviewer of the opportunity to observe the facial expressions and body language of the respondents. Observational data can also be used as part of the qualitative research data (Eriksson & Kovalainen, 2008). The fourth limitation is the data analyzing technique – coding, is criticized for resulting in data fragmentation (Bryman, 2012). The exploratory nature and constraints of the Study 1 qualitative study calls for the complementation of quantitative study.

## **4.2 Study 2: quantitative study**

### **4.2.1 Data collection**

The second part of the sequential exploratory study is the quantitative research. The purpose of this thesis is to explore Chinese online consumers' fashion product returning behavior and their perception of fraudulent returning (retail borrowing). In light of the findings of Study 1, the author established a few preliminary characteristics of the Chinese consumers' online fashion product returning behavior:

- a. most respondents are well aware of the 7-day no-questions asked return policy;
- b. some respondents perceived the online fashion product returning process as inefficient and troublesome;
- c. there is no evidence of fraudulent returning behavior among the respondents.

Based on these findings, an online questionnaire consisting of 16 questions (Appendix) was composed and sent out to Chinese online consumers. The questionnaire was developed and derived from previous literature (Harris, 2008; Mun et al., 2014; Schmidt et al., 1999; Wilkes, 1978) and the results of the interviews. The consumer online fashion product returning behavior questionnaire was sent out via the Internet

for self-completion on 14<sup>th</sup> December 2016, and collected on 28<sup>th</sup> December 2016. Since all the respondents are internet users, an online survey is a reasonable choice for quantitative studies, as it makes more sense in this specific study of online consumer product returning behavior. Convenience sampling approach (Bryman, 2012) was employed in the process of reaching out for respondents to answer the questionnaires. Convenience sampling technique is one of the non-probability sampling techniques, which permits larger generalization than probability sampling. The online survey link was first sent to a small group of people in a WeChat group who then distributed the link to other groups.

The survey of Study 2 is conducted to supplement the qualitative interviews of Study 1. The questions are designed as follows: Questions 1 to 6 are designed to collect demographical information from the respondents. Question 7 asks the respondents to estimate their fashion product return rates. Question 8 supplements the qualitative interviews (Category 2) by quantifying respondents' past experiences (the extend of satisfaction) on fashion product returning. Questions 9 and 10 are designed to find out the rankings among the reasons (Category 1) and the difficulties (Category 2) of returning fashion products. Questions 11 and 12 serves to quantify the probability of fraudulent returning. Question 13 serves to quantify the perceived behavioral control over fraudulent returning (supplementing the TPB analysis of Study 1). Questions 14 to 16 are to quantify other relative dimensions of online fashion product returning (supplementing Category 3).

#### **4.2.2 Survey data analysis**

The purpose of the survey was to, together with the qualitative interviews were intended to explore Chinese e-consumers' perception of fraudulent returning behavior and identify the characteristics of Chinese consumers' online returning behavior on fashion products. A total of 168 respondents received the survey and a random sample of 85

respondents (response rate=50%) submitted the questionnaire, with 82 having shopped fashion products (apparel, shoes, etc.) online in the past six months. The three samples who had no fashion product online shopping records in the preceding six months are excluded in the data analysis process. For data analysis, SPSS descriptive statistics analysis was utilized.

#### **4.2.3 Demographics**

In terms of sample demographical characteristics, 26 (31.7%) respondents are male and 56 (68.3%) are female (Table 9). The majority (n=66, 80.5%) of respondents are aged between 21 to 30. 13 respondents fall into the 31-40 age group, and 2 respondents over the age of 40 and 1 under 20. Among the 82 respondents, 57 (69.5%) have bachelor's degrees and 8 (9.8%) have master's or higher degree. Regarding monthly income, nearly half of the respondents have reported less than ¥5000, 34.1% have a monthly income ranging from ¥5001 to ¥10000, and 12.2% of the respondents' monthly income fall between ¥10001 to ¥20000. Respondents' monthly spending on shopping online distributes more evenly: the majority of the respondents spend ¥500 to ¥2000 (41.5%) monthly on online shopping, and 14 (17.1%) respondents spend more than ¥5000 per month.

Table 9: Demographical information of respondents

Variable	Frequency	Percentage
<b>Gender</b>		
Male	26	31.70%
Female	56	68.30%
<b>Age</b>		
<20	1	1.20%
21-30	66	80.50%
31-40	13	15.90%
>40	2	2.40%
<b>Education Level</b>		
Middle school	3	3.70%
High school/vocational school	2	2.40%
College	12	14.60%
Bachelor	57	69.50%
Masters or more	8	9.80%
<b>Monthly income (RMB)</b>		
<5000	35	42.80%
5001-10000	28	34.10%
10001-20000	10	12.20%
>20000	1	1.20%
not revealed	8	9.80%
<b>Monthly spending online (RMB)</b>		
<500	25	30.50%
501-1000	18	22.00%
1001-2000	16	19.50%
2001-5000	9	11.00%
>5000	14	17.10%

#### 4.2.4 Product returning behavior and perception of fraudulent returns

In the sixth question of the survey, respondents were asked if they had returned fashion products purchased online in the past 6 months. 87.8% of the respondents have fashion product return experience online, with more than half of the respondents' return rate less than 10%, and 20 (24.4%) respondents' return rate between 11% to 30%. Only 5 (6.1%) respondents' return rates are higher than 30%. 10 respondents (12.2%) reported they had never returned a fashion product online (Table 10). According to the statistics of the reported return rate, Chinese online shoppers do not return fashion products as much as e-consumers reported in other markets. On average, more than 50% of the

respondents return one or less than one item out of ten items they purchase. The data of the estimated return rates fall in the “normal zone” in NRF’s reports on product return rates.

Table 10: Frequency table of respondents’ approximate online fashion product return rate

		Frequency	Percent	Valid Percent
Valid	no, never	10	12.2	12.2
	yes, return rate is 1–10%	47	57.3	57.3
	Yes, return rate is 11–30%	20	24.4	24.4
	Yes, return rate is 31–50%	4	4.9	4.9
	Yes, more than 50%	1	1.2	1.2
	Total	82	100.0	100.0

In terms of reasons of returning fashion products, the results confirm with that of previous studies (Table 11). Supplementing the results of the qualitative interviews, the data show that “wrong size” is the most common reason for respondents to return fashion products purchased online, with 62.2% (n=51) respondents having selected it as first choice. The second and third most selected reason respectively is “quality of the product not as expected” and “not as described or shown on the website”. Reference group’s opinion ranks fourth and the least concerned reason is “finding cheaper alternatives”.

Table 11: Reasons for fashion product returning

		Responses		Percent of Cases
		N	Percent	
reasons for product returning <sup>a</sup>	wrong size	51	62.2%	62.2%
	quality fails expectation	20	24.4%	24.4%
	not as shown on the website	6	7.3%	7.3%
	others' opinion	5	6.1%	6.1%
Total		82	100.0%	100.0%

a. Dichotomy group tabulated at value 1.

In Study 1, a few interviewees expressed their dissatisfaction of the process of returning products online (mostly on Tmall.com and Taobao.com), due to issues such as disputes over returning shipping fee and the inconvenience of logistics. Corresponding to Study 1 Category 2, the survey reveals the two most common difficulties during the process of online product returns: “buyer has to pay the return shipping fee” (35.4%) and “seller requires proof of product defect” (31.7%). Another two difficulties are “seller discourages the return with other excuses” and “buyer has to contact logistics”. The awaiting timeframe for refund is the least concerned difficulty (Table 12).

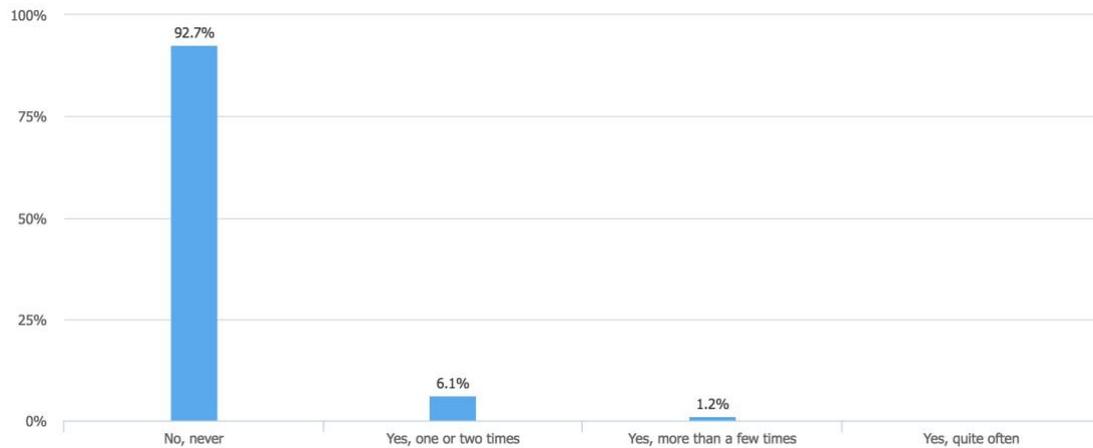
Table 12: Difficulties of fashion product returning

difficulties of online returning <sup>a</sup>		Responses		Percent of Cases
		N	Percent	
	seller requires "proof"	26	31.7%	31.7%
	have to pay return shipping fee	29	35.4%	35.4%
	seller discourages with other excuses	11	13.4%	13.4%
	have to contact logistics	10	12.2%	12.2%
	refund takes long time	6	7.3%	7.3%
Total		82	100.0%	100.0%

a. Dichotomy group tabulated at value 1.

When asked if they had ever returned a used fashion product purchased online, an overwhelming 92.7% (n=76) of respondents gave a negative response (Figure 6). Only 5 (6.1%) respondents reported they had returned used garments once or twice, and 1 (1.2%) reported more than a few times. The act of fraudulent returning or retail borrowing involves the returning of used products, as the offender attempts to use the product without paying for it. Only 7.3% (n=6) respondents indicated the intention or conduct of retail borrowing. Previous studies on fraudulent returning or retail borrowing have reported appallingly high fraudulent return rates between 17% to 50% (T King et al., 2008; M. Lee & Johnson, 2010; Mun et al., 2014; Piron & Young, 2001), while the results of Study 2 imply a much lower possibility of retail borrowing by Chinese e-consumers.

Figure 6: Returning used fashion product online



The author then performed descriptive analysis on the data by cross comparing demographic information with respondents' online product return rate. The results suggest:

- There is no correlation between respondents' age and fashion product return rate (Pearson's  $r = -.109$ ).
- There is no correlation between respondents' income and fashion product return rate (Pearson's  $r = -.121$ ).
- There is no correlation between respondents' monthly online shopping spending and fashion product return rate (Pearson's  $r = -.080$ ).

Since the number of male respondents is 26 (31.7%) and the number of female respondents is 56 (68.3%), the author calculated a weight for the gender variable: weight of female = 0.73 and weight of male = 1.58. By applying the weight to the descriptive analysis, the results indicate that female respondents' fashion product return rate is higher than that of male respondents. After weighting, Table 13 shows 83.3% of male respondents have a return rate below 10%, and 26.2% have never returned a fashion product online. The number of female respondents with a return rate between 11% to 30% is twice as high than that of male respondents within the same return rate range.

Table 13: Cross analysis of gender and online fashion product return rate of respondents (after weighting)

**Gender \* Fashion product return rate online Crosstabulation**

		Fashion product return rate online					Total	
		no, never	yes, return rate is 1-10%	Yes, return rate is 11-30%	Yes, return rate is 31-50%	Yes, more than 50%		
Gender	male	Count	11	24	5	2	0	42
		% within Gender	26.2%	57.1%	11.9%	4.8%	0.0%	100.0%
	female	Count	2	23	12	2	1	40
		% within Gender	5.0%	57.5%	30.0%	5.0%	2.5%	100.0%
Total		Count	13	47	17	4	1	82
		% within Gender	15.9%	57.3%	20.7%	4.9%	1.2%	100.0%

Question 11 and 12 serve to quantify the probability of fraudulent returning. The cross analysis between question 11 and question 12 shows 92.7% (n=76) of the respondents have never returned used fashion products online. All 8 respondents who were least critical on the behavior of fraudulent returning have no experience in returning used fashion products online. This suggests even though e-consumers perceive it as rightful to return a used product, they may not actually perform the act of fraudulent returning. An overwhelming 79.3% (n=65) respondents hold the view that fraudulent returning behavior is unethical and will harm sellers' interest. 8 respondents admitted they feel disturbed and worried that the sellers would identify the used item. Only one respondent has returned a used fashion product once or twice, under the influence of reference group (respondent chose "My friends do it sometimes, so I do it too."). The results of these two questions indicate the low intention of fraudulent returning behavior among Chinese e-shoppers, and a relatively critical perception of this sort of behavior.

Question 8 supplements the qualitative interviews (Category 2) by quantifying respondents' past experiences (the extend of satisfaction) on fashion product returning. Question 8 asked respondents to rate their past experiences in returning fashion products online, the results of which is displayed in Table 14. The answers were coded as: "very dissatisfied" =1, "quite dissatisfied" =2, "somewhat dissatisfied" =3, "neither dissatisfied nor satisfied" =4, "somewhat satisfied" =5, "quite satisfied" =6, "very satisfied" =7. The results display a general positive rating on past experiences

(mean=4.64). Most respondents rate their past experiences on online fashion product returns as “somewhat satisfied” (n=26), “quite satisfied” (n=18), and “very satisfied” (n=6).

This question is designed to address Category 2 (own experience and perception on online product return) in the qualitative interviews. The mean (4.64) lies in between “neither dissatisfied nor satisfied” and “somewhat satisfied”, interpreting a mixed signal, which is consistent with the qualitative interviews in Study 1 (the interviews report divided perceptions on online product returns).

Table 14: Respondents’ past experiences on returning fashion products online

		Frequency	Percent	Valid Percent
Valid	very dissatisfied	4	4.9	4.9
	quite dissatisfied	3	3.7	3.7
	somewhat dissatisfied	9	11.0	11.0
	neither dissatisfied nor satisfied	16	19.5	19.5
	somewhat satisfied	26	31.7	31.7
	quite satisfied	18	22.0	22.0
	very satisfied	6	7.3	7.3
	Total	82	100.0	100.0

Question 13 serves to quantify the perceived behavioral control over fraudulent returning (supplementing the TPB analysis of Study 1). In question 13, respondents were asked to rate their perceived easiness of online product returns. Unlike other questions, this question received decentralized answers (Table 15). In the data analysis process, the answers were coded as: “very difficult” =1, “quite difficult” =2, “somewhat difficult” =3, “neither difficult nor easy” =4, “somewhat easy” =5, “quite easy” =6, “very easy” =7. According to the statistics, the mean equals 3.4, which is between “somewhat difficult” and “neither difficult nor easy”. Therefore, in general, respondents perceive “returning as used garment online” as slightly more difficult than easy. Table 22 shows 21 (25.6%) respondents rate it as “very difficult”, while 12

(14.6%) rate it as “very easy”. 44 (53.7%) respondents perceive online product returns as “somewhat difficult” (n=10), “quite difficult” (n=13), and “very difficult” (n=21), while only 23 (28%) respondents consider the returning process as “somewhat easy” (n=8), “quite easier” (n=3), and “very easy” (n=12).

Table 15: Respondents’ perceived easiness of “returning a used garment online”

		Frequency	Percent	Valid Percent
Valid	very difficult	21	25.6	25.6
	quite difficult	13	15.9	15.9
	somewhat difficult	10	12.2	12.2
	neither difficult nor easy	15	18.3	18.3
	somewhat easy	8	9.8	9.8
	quite easy	3	3.7	3.7
	very easy	12	14.6	14.6
	Total	82	100.0	100.0

In Study 1, interviewees mentioned a few factors that affect their overall perception of online product returns:

- The dispute over which party pays the return shipping fee;
- 7-day no-questions asked return policy; and,
- Convenience of product returning (e.g., logistics).

In Study 2, the respondents were asked to rate their perceived importance of these factors. The results displayed in Table 16: 59.8% (n=49) of the respondents considered “7-day no-questions asked return policy” and 46.3% (n=38) view “convenience” as “very important”. One out of three respondents rated “retailer pays return shipping fee” as “very important”. Of these three factors, respondents value “7-day no-questions asked return policy” (mean=5.44) and “convenience of returning” (mean=5.26) more than who pays the return shipping fee (mean=4.61). The means show that respondents consider these three factors as quite important. The results of the survey reinforce the findings of the qualitative interviews.

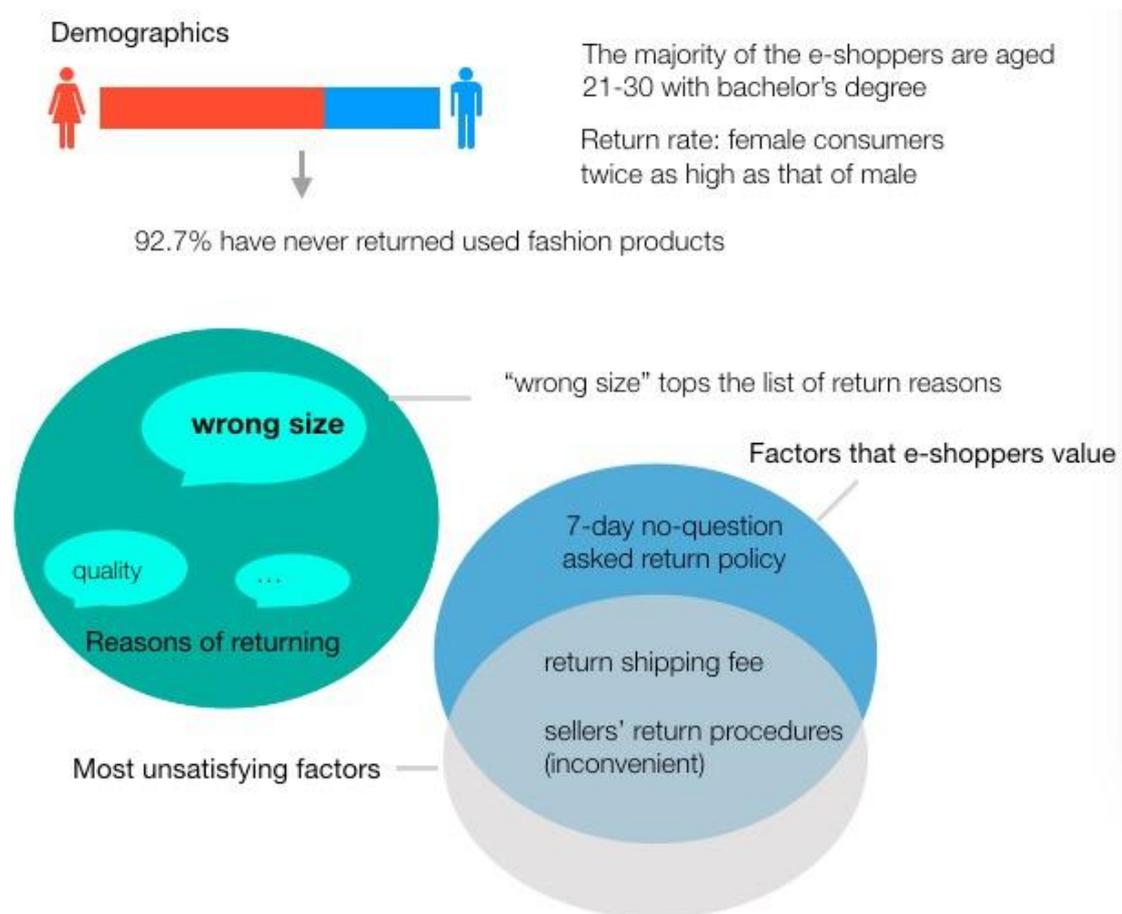
Table 16: Frequency table of factors related to online product returns

	Importance of 'retailer pays return shipping fee'		Importance of 7-day return policy		Importance of convenience of product returning procedure	
	Frequency	Percent	Frequency	Percent	Frequency	Percent
not important at all	11	13.40%	5	6.10%	3	3.70%
not important	6	7.30%	4	4.90%	5	6.10%
somewhat unimportant	8	9.80%	6	7.30%	7	8.50%
neither unimportant nor important	8	9.80%	7	8.50%	11	13.40%
somewhat important	12	14.60%	4	4.90%	12	14.60%
quite important	9	11.00%	7	8.50%	6	7.30%
very important	28	34.10%	49	59.80%	38	46.30%
Total	82	100.00%	82	100.00%	82	100.00%

To summarize, Study 2 has identified certain characteristics of the Chinese consumers' online returning behavior. The demographics shows that the majority of the Chinese online shoppers are between the age of 21 to 30 with bachelor's degree. Firstly, female consumers return products twice as often as males do. Secondly, "wrong size" tops the list of reasons of returning fashion products. The wrong sizes could be caused both by consumer choosing the wrong sizes and inaccurate size charts provided by sellers. For e-retailers, it is practical to provide on the website as accurate size chart as possible to minimize returns caused by asymmetric size information. Thirdly, 92.7% of the respondents have never returned used fashion products, which indicates low intention of fraudulent returning. Fourthly, having to pay the return shipping fee and inconvenient return procedures are the two most complained factors by Chinese e-shoppers. Lastly, Chinese online consumers value

factors such as “free return (retailers pay return shipping fee”, “7-day no-question asked return policy”, and “convenience of return procedures”. Managerially speaking, e-retailers can consider exercising simple and easy return procedures and covering return shipping fees to be a strategy to distinguish themselves in the return service process. To present a clearer picture of the findings of Study 2, a summarizing figure is provided below (Figure 7).

Figure 7: Overview figure of Study 2



#### 4.2.5 Limitations

A few limitations to Study 2 shall be addressed. Firstly, although the survey questionnaires were distributed to different social media groups, the nature of convenience sampling does not guarantee random sampling, thus limits the generalization of the study. Secondly, the size of the sample is relatively small, with a

confidence interval of 90% and margin of error of 10%, which also reduce generalization and precision.

## **5 CONCLUSIONS**

In this chapter, the author first restates the overall research purpose and summarize the findings of the research. Then, she discusses theoretical and managerial implications. Finally, the author points out limitations to the research and suggests future research directions related to this topic.

### **5.1 Summary of the research**

The overall purpose of the research is to explore Chinese online consumers' fashion product returning behavior and their perception of fraudulent returning behavior. The specific research questions are:

1. How do Chinese online consumers perceive fraudulent returning behavior?
2. What are the characteristics of Chinese online consumers' fashion product returning behavior?

Both qualitative and quantitative studies were employed in order to fulfill the research aims. In Study 1, eight in-depth interviews were conducted respectively with eight interviewees to explore the Chinese online consumers' perception of fraudulent returning behavior and identify the characteristics of Chinese online consumers' fashion product returning behavior, which has been confirmed to be quite a severe problem in some Western countries. Qualitative data coding technique was utilized to analyze the interview data. Based on the results of Study 1, in Study 2, a survey questionnaire was developed and distributed. 82 completed questionnaires were gathered, and descriptive data analysis technique was employed to analyze the data.

Overall, the data of the two studies provide a range of characteristics associated with Chinese e-consumers' online product returning behavior, including demographics, reasons of returning, and their perception of the act of fraudulent returning (Figure 7).

Figure 8: Chinese Online Consumers' Fashion Product Returning Behavior

Characteristics	Demographics	female online shoppers return more fashion products than male shoppers do
	Reasons of returning	wrong size
		quality fails expectation
		not as shown on the website
	Past experiences of product returns	mixed perceptions were reported
perceived easiness of product returns	mixed perceptions were reported	
perception on fraudulent returning	Negative	most consumers consider fraudulent returning as unethical

Addressing the first research question, most Chinese online consumers return on average 10 to 30 per cent of the fashion products purchased. Chinese online consumers have reported mixed opinions on the easiness and extend of satisfaction of fashion product returning. This may be explained by the complex of China's online shopping environment (platform based). Female e-shoppers return more fashion products than males e-shoppers do. The most frequently mentioned motives of returning are “wrong size”, “quality fails expectation”, and “not as shown on the website”, which can be classified into factors caused by information asymmetry. The second research question asks how Chinese e-consumers perceived fraudulent returning. This research reported that fraudulent returning is perceived as an unethical conduct by most of the respondents.

### 5.1.1 Reasons of returning fashion products

The most common reasons for fashion product returns by Chinese online consumers are “wrong size”, “quality not as expected”, and “color or style not as portrayed online”. This finding is consistent with previous studies in other markets and cultural contexts such as the USA and UK. In some cases, reference groups’ opinion also affects a

person's intention of returning a fashion product, but overall, the influence is significantly weaker compared to the top three reasons of returning. The three reasons cannot simply be categorized into "retailers' problem" or "consumers' fault", because the nature of shopping fashion products online involves the risk of consumers not being able to test and feel the items. When a consumer receives a wrong-sized item, the reason may be the consumer chooses a wrong size according to the size chart displayed online or the seller makes a mistake by sending out a wrong-sized item. Thus, it is a matter of asymmetric information that cannot be completely dismissed. However, from a managerial perspective, retailers can attempt to reduce returns like these by providing more precise information on the products to minimize information asymmetry.

### **5.1.2 Unique features of fashion product returns in China's e-commerce market and the impact on consumers' return behavior**

Both the interviews and the questionnaire data reveal the fact that many online consumers perceive online fashion product returning as difficult or inconvenient. In terms of leniency, China's online retailers provide less time leniency, monetary leniency, and effort leniency. During the returning procedures, many consumers are expected to bear the return freight, which tops the list of difficulties when returning products. Apart from the return freight, sellers may require consumers to provide "proof" or reasons for returning. Consequently, to complete the return process, an online consumer may need to contact a logistics company and pay the shipping fee, which are factors that discourage consumers' product returning behavior. These features are different to that of online stores in other countries. China's e-commerce market is dominated by seller based platforms, where hundreds of thousands of retailers sell products to customers. Consumer law regulates a baseline of "7-day no-questions asked return policy" for online retailers, while different sellers may impose different conditions on the returns. For example, as Chapter 2 writes, the Clarks flagship store on Tmall.com charges 50-yuan of the refund amount if the box of the item is contaminated or damaged.

Incidentally, it is quite apparent that China's online stores offer much stricter return policies and less convenient procedures than online stores in Western countries, thus Chinese online consumers perceive online returning as more difficult rather than convenient and easy.

The factors related to product returns, in terms of the convenience of the return process: "7-day no-question asked" return policy and free returns are all considered very important by online consumers. Apart from the universal factors among different markets, there are some factors that are unique to the Chinese online consumers. Unlike most Western online retailers providing unconditional and convenient free returns, most Chinese online retailers require customers to bear the return freight if the returns are not deemed as faults caused by the sellers. As two of the interview participants stated, they would not bother to return the products if the value of the items is relatively small. The extra money and effort may be one of the "setbacks" that discourage consumers' intention to return products, and may also be a discouraging factor of their intentions to purchase. In these cases, the return freight insurance serves as a neutralizer which reduces shoppers' concerns on return freight. However, as freight insurance fraud (Liu et al., 2013) increases, insurance companies are offering tiered prices to different shoppers according to their return records in order to curb frauds. The higher the return rate, the more the cost of the freight insurance is.

Chinese online consumers' demographical factors such as age, education level, monthly spending on online shopping do not seem to be correlated to the frequency of their returning behavior. In previous studies by other researchers, Piron & Young (2000) find out that female consumers conduct retail borrowing behavior four times more than that of males from a research done among students in a US university, and Lee's (2010) findings from a study in Korea suggest that male consumers over 40 are more probable to engage in fraudulent returning. This study finds no obvious correlation between consumers of a certain age range and the probability of conducting fraudulent returning,

thus the findings of this thesis do not comply with previous findings. One reason might be that the shopping environment of this research is online, while the cited studies are in the physical retail context. Another reason might be cultural differences and heterogeneous developmental stages of the retail contexts in which these studies were conducted.

### **5.1.3 Chinese consumers' perception of fraudulent returning behavior**

There is little evidence to identify Chinese online consumers' fraudulent returning behavior. Among the interviewees of Study 1, not a single interviewee has actively performed fraudulent returning previously. And this result also applies within their close social circles. In Study 2, only one respondent consistently returns used garments online, and five respondents have done so one or two times. The in-depth interviews in Study 1 points to this conclusion, and is confirmed and supported by the survey results of Study 2. In addition, Study 2 reveals that an overwhelming 92.7% of respondents have never returned used garments online, which suggests a very low proportion (around 1.2%) among the online consumers who have performed fraudulent returning. This result is not consistent with the previous studies that reported 17% to 50% fraudulent returns (King et al., 2008; Lee & Johnson, 2010; Mun et al., 2014; Piron & Young, 2001).

The theory of planned behavior can be applied to explain this finding stated in the previous paragraph. Firstly, the general perception of the fraudulent returning behavior is negative – the majority of the participants in both studies consider this behavior as unethical. Secondly, there is no obvious subjective norm for reference from the results of the studies. However, the findings of Study 1 suggest there is no person in participants' close social circles performing the behavior. Thus, it is unlikely that the online consumers imitate the actions of the reference group that is engaged in the act of fraudulent returning. Thirdly, the perceived behavioral control of “returning a used

garment online” is generally more difficult rather than easy, which suggests a negative effect on the intention of conducting the behavior in question.

## **5.2 Managerial and theoretical implications**

It is important to understand consumer behavior from consumers’ perspective. Therefore, findings of this research can provide managerial and theoretical implications for online retailers whose customers are Chinese e-shoppers and researchers who specialize in the studies of online consumer behavior and online product returns.

### **5.2.1 Managerial implications**

Firstly, the findings of this thesis suggest that Chinese online consumers’ motives to return fashion products are primarily due to asymmetric product information that is portrayed by the sellers and interpreted by the consumers. Online fashion retailers can seek to reduce these returns by communicating more accurate product information (size, color, description) to potential buyers.

Secondly, the results of both studies emphasize the importance of convenience of returning products to online retailers. Many online sellers are now offering return freight insurance to customers in order to lower their concerns on having to pay return freight, thus encouraging purchases. However, convenience of the return process is still not satisfactory. For example, Chinese online retailers do not include prepaid shipping labels in the shipments as most European online stores do. Online shoppers are extremely ease-seeking; therefore, less convenient return procedures might intimidate the purchase intention of a potential customer. On the contrary, a well-designed and convenient combination of return policy and return procedures will serve as a better tool to attract and retain customers. Thus, it is advisable that online retailers customize their return policies and return procedures to maximize business with customers.

The consumer fraudulent returning problem that has been an issue for Western retailers

does not seem to be a concern in the Chinese market, at least not at this stage. The relatively stricter return policies exercised by Chinese online retailers and the less convenient return procedures might be factors that lower consumer perceived behavioral control on the return process itself as well as fraudulent returns. However, online retailers should find a balance between lenient and stricter return policy, between more convenient and less convenient return processes as to attract and retain more customers rather than pushing them away. For example, Alibaba's platforms Tmall and Taobao has extensive data information such as user (both sellers and buyers) credit scores and return/refund/complaint records. Online retailers can offer more lenient return policies and prepaid return labels to loyal customers who have low return records and high credit scores, and offer stricter return policies without prepaid labels to customers who have very high return records and low credit scores.

As many previous studies stated, fraudulent consumer behavior can be infectious. Therefore, to prevent the risk of imitating, online retailers should not over publish stories of fraudulent consumer acts. In the interim, online retailers can utilize the IT services (e.g. credit system, return records, etc.) of the platforms to identify the good customers and consumers who are very likely to be engaging in fraudulent returns.

### **5.2.2 Theoretical implications**

Theoretically, this thesis contributes to the literature on consumer online product returning behavior in two aspects. Firstly, it provides insights into the characteristics of Chinese consumers' online product returning behavior and their perception of the fraudulent returning behavior that has been drawing increasing attention from researchers and practitioners. Factors related to product returns are summarized, and the framework of the theory of planned behavior proves to fit the scope of this research.

Secondly, this research also sheds light on the unique features of China's e-commerce context and the Chinese online consumers' product returning behaviors. Due to

differences in China's general e-commerce environment and legal regulations, China's online retailers have been exercising stricter return policies and less customer-friendly product return procedures, and Chinese online consumers are less likely to engage in fraudulent returns. These findings are not consistent with previous literatures on consumer fraudulent returning behavior.

### **5.3 Limitations and future research suggestions**

Although sequential exploratory research methodologies have been adopted in this research and results of both studies are consistent, there are some limitations to this research. Firstly, there is limited literature on Chinese online consumers' product returning behavior and relative topics. As a result, this thesis is generally an exploratory attempt, the validity of which may be questioned. Secondly, the sample of the quantitative study is relatively small, thus further limits its generalization. There was inevitable biased data in the qualitative study since the participants responded in the interviews based on individual experience. Thirdly, the questionnaire of the quantitative study is developed with close-ended questions, and due to its inflexibility cannot be modified once the research starts. This can lead to limited results that are answering the research questions, and also negatively affects the scope of its generalization.

As for future studies on this topic, the author gives the following suggestions. Firstly, the exploratory nature of the topic of Chinese online consumers' (fraudulent) returning behavior provides greater freedom for researchers to study it from different angles. Future studies can add factors such as cultural dimensions legal factors, retailing environment to analyze why there is less fraudulent returning behavior among consumers in China, or how these factors affect consumer behavior. Secondly, cross cultural studies can be conducted by comparing consumers' (fraudulent) returning behavior in different countries and cultural settings. As Chinese online consumers are

increasing purchases from overseas, online consumer behavior studies as such will be of greater value to both domestic and overseas sellers. Thirdly and more practically, Chinese researchers can cooperate with online retailers to design optimal combinations or models of return policies and return procedures by utilizing the data and other resources. In addition, it is also advisable to expand the topics to other fraudulent consumer acts among Chinese online consumers. Last, to produce a larger scale of generalization, future quantitative studies should involve larger data samples.

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**Appendix: Questionnaire on consumer online fashion product returning behavior**

1. In the past 6 months, have you shopped garments/fashion products online?

Yes

No

2. What's your gender?

Male

Female

3. What's your age?

20 and under

21-25

26-30

31-40

over 40

4. What is your monthly income (disposable income)?

less than 5000

5001-8000

8001-10000

10001-20000

over 20000

I would rather not tell

5. What is your highest degree?

Middle school

High school or vocational school

College

Bachelor's

Master's or more

6. In the past 6 months, how much money did you spend on online shopping monthly?

200 or less

201-500

501-1000

1001-2000

2001-5000

over 5000

7. In the past 6 months, have you ever returned a fashion product (garment, shoes, etc.) bought online? What is the approximate return rate?

No, never

Yes, return rate is 1-10%

Yes, return rate is 11-30%

Yes, return rate is 31-50%

Yes, more than 50%

8. On a scale of 1 to 7, please rate your past experience on returning a fashion product online:

1 very dissatisfied

2 quite dissatisfied

3 somewhat dissatisfied

4 neither dissatisfied nor satisfied

5 somewhat satisfied

6 quite satisfied

7 very satisfied

9. Please sequence the following common reasons for fashion product return according to your reality:

wrong size

quality fails expectation

color or design looks different from shown on the website

family or friends say I don't look good on it

I found another store offering cheaper price

10. Please sequence the following difficulties in online return, according to your reality:

retailer requires "proof" of product defect

I have to pay the return shipping fee

retailer discourages the return with other excuses

I have to contact the logistics, it's kind of troublesome

I have to wait a long period to get the refund (until the retailer receives the returned product)

11. Have you ever returned a used fashion product bought online?

No, never

Yes, one or two times

Yes, more than a few times

Yes, quite often

12. Imagine this scenario: you buy a dress/suit online and wear it to attend a wedding of a friend, then return it the next day and get full refund. What's your opinion on this:

If I want to return the product I do it, this is consumer right.

My friends do it sometimes, that's why I do it too.

I feel a little disturbed because I fear the retailer finds out the garment has been used.

I shouldn't do this because it's unethical and it harms the retailer's benefit.

13. On a scale of 1 to 7, how easy do you think it is to return a used garment online?

1 very difficult

2 quite difficult

3 somewhat difficult

4 neither difficult nor easy

5 somewhat easy

6 quite easy

7 very easy

14. Upon your online purchase, how important is “retailer pays the return shipping fee” to you?

1 not important at all

2 not important

3 somewhat unimportant

4 neither unimportant nor important

5 somewhat important

6 quite important

7 very important

15. Upon your online purchase, how important is “7-day no-question asked return policy” to you?

1 not important at all

2 not important

3 somewhat unimportant

4 neither unimportant nor important

5 somewhat important

6 quite important

7 very important

16. Upon your online purchase, how important is the convenience of returning the garment (e.g. logistics, communication with retailer, speed of refund) to you?

1 not important at all

2 not important

- 3 somewhat unimportant
- 4 neither unimportant nor important
- 5 somewhat important
- 6 quite important
- 7 very important