

Indian E-commerce Customer Cancellation and Return Behaviornomics: An Empirical Investigation

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How to cite this article:

Sree Devi K K, Swarnalatha S/Indian E-commerce Customer Cancellation and Return Behaviornomics: An Empirical Investigation/J Soc Welfare Manag. 2022;14,3(Part-I):131-135.

Abstract

Ecommerce return policy plays an important role in dictating people satisfaction worldwide. Studies show solid return policy increases sales without increasing returns. The Ecommerce platforms in India are growing exponentially. Almost 65% of population seems to go online, while it might reach 80% by 2023. A vast majority of customers cancel before due deliver or return goods due to varied reasons which increases costs on reverse logistics and a growing concern. Data for research study was gathered from published academic publications, statistical databases, historical records, and articles found on the internet. Secondary data was gathered from a variety of resources for the study in order to increase the report's credibility. The main aim is to examine the factors influencing customer cancellation and returns policies in ecommerce platforms with reference to Chennai city. The study involved a group of 120 subjects, demographic and perceptual data for open ended questions was collected through a survey questionnaire of customer experience amongst four major ecommerce platforms. The hypothesis developed on variables are tested using reliability analysis, t-tests and ANOVA, by SPSS version 23.

Keywords: E-commerce; Customer cancellation; Customer return; Reverse logistics; Customer return behaviour.

INTRODUCTION

The online supply chain starts from the vendor and ends when the item is received. Goods move from inventory to the final user. Money paid by end-user e-commerce¹ along with data is exchanged on either side. The manufacturer processes the item

order received, passes information to warehouse and eventually product is shipped to the purchaser. The online logistics² involves a number of activities from order processing, inventory check and finally customer expectation fulfilment. Returns and cancellations would account to additional logistics and costs associated on the expense of an agitated customer. Hence, e-commerce platforms devise strategies to meet to turning theses customers as loyal and satisfied for repeat purchases. Customer retainment⁵ as well as repeat is critical for growth of ecommerce platforms. This involves the return policies and return logistic satisfaction. Though return management could be costly, it is essential to leverage return and make customer feel satisfied.

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Received on: 13.07.2022

Accepted on: 01.08.2022

LITERATURE REVIEW

J. Ye (2021)⁹ employs data of an online ecommerce platform for a year. The analysis involved illustration of characteristics of cancelled orders. It compares silhouette ratings as well as uses principal component analysis to reduce a number of clusters. Study conclusion demonstrates that market segmentation is a useful tool for distinguishing items and consumers with distinct characteristics and for making business recommendations.

Huang, X., and Zhang, D. (2020)⁴ examine the impact of uncertainty on service values. Authors look for a heterogeneous client base along poor indications are evaluated. Customers' value uncertainty, as measured by valuating signal quality, affects interplay among product along with rules fabricated. Study finds validity of practical implications.

Sharma (2020)⁶ looks at the mitigation and prevention of delivery times variability and the need of suitable replacement supply chain operation methodologies. Higher inventory costs and unreliable service levels come through extended uncertain lead times, many of which have a significant effect on the market chain's overall performance. The findings seem to be about the impact of good supply chain management systems on supply time and reduced, and the effectiveness of supply chain partnering (SCP) in reducing lead time. Supply chain management plays an essential role on a company's financial performance, per the studies.

Son, et al., (2019)⁷ says out of stock, returns, and order cancellations have a detrimental impact on online operations. The purpose of this research is to assess the financial implications of these unfavourable sales conditions for an online retailer, as well as the moderating influence of pricing ranges on the correlations between these unfavorable sales situations and financial performance. The review looks at 2484 transactional sets of data with an online store which included 260 brands. The data indicate that out-of-stock amounts have a negative impact on order amounts, whereas return amounts have no impact and cancellation amounts have a positive impact, and that these correlations vary with price group, illustrating the price group's mediating impact.

Tsai, T. Y., et al. (2019)⁸ examines customer retention, as one of the most critical concerns for businesses, and lowering customer turnover boosts customer lifetime value and lowers the cost of acquiring new customers. The study focuses on predicting and

identifying customer attrition in order to reduce customer churn rates through targeted measures. It also establishes a customer churn prediction, an understanding of customer churn, and a response to customer churn. The framework also discusses the features and challenges of various customer turnover stages. These findings can be utilised to build customised or personalised products and services, increase customer service efficiency and related decision making, and enable smart promotion campaigns to customers at high risk of churn.

NEED FOR THE STUDY

Retailers use customer service for direct one on one interaction between customer making a purchase and representative of the company. Customer returns and cancellation policy is a reverse logistics process, it requires similar efficiencies between customer and e-commerce. It is being a critical factor in ensuring buyer satisfaction, and reducing returns. The most common causes of purchase returns are not fulfilling the expectations, damaged or defective products, delayed delivery, and product not being up to expectation.

Statement of the problem

The main purpose of this study examines factors influencing customer returns and cancellation in ecommerce platform. The study also defines the interdependence between the frequency of internet shopping and the logistic aspects of e-commerce. The degree of satisfactions with regards to quality criteria of e-commerce services is necessary to determine the ever increasing needs and expectations of ecommerce customers.

Objective of the Study

To examine the factors influencing the customer cancellations and returns on ecommerce supply chain practices in India.

To measure the factors influencing customer product returns procedure and policies in E-commerce portal.

To identify the customer satisfaction towards e-commerce product cancellations and returns

Scope of the study

Order cancellation seems to be the act of making an order invalid, i.e., the consumer no longer accepts the thing that was originally ordered. A return is the act of sending back an order after delivery to the

recipient. Return may be due to repair, cancellation, complaint or wrong delivery. The logistics of a company plays an important role in returns as well as delivery of a product. Returns and cancellations in electronic commerce occur in all businesses, it is seen that one fourth of on-line shoppers are returning from 5% to 15% of the things they purchase. When a product is returned by a customer online, the retailer refunds the amount to the buyer which is a cost burden. According to various researches^{3,4}, one fourth of buyers believe delay in return process⁵ creates a negative experience and about 89 percent of buyer planning buy it somewhere else. Customer retainment as well as repeat is critical for growth of ecommerce platforms. This involves the return policies and return logistic satisfaction. Though return management could be costly, it is essential to leverage return and make customer feel satisfied. This study makes an attempt to reduce the inefficiencies due to cancellation and return, thereby explore a healthy customer online buying experience.

RESEARCH METHODOLOGY

Research Design- The study has adopted the descriptive research design. It helps to study and understand factors influencing the customer cancellations and returns on ecommerce supply chain in Chennai city.

Sampling Population- The study adopted the accessible population concentrating upon the targeted group of audience at random and hence, to ensure more focus to the information. The information collected from them is ensured to be accurate.

Sampling Method- The study adopts the non-probability "convenience sampling" technique, where the samples are selected from the population directly. Samples can be selected easily so we can choose the sample that outlines the entire population.

Sampling size - For analysis it is essential to make sure that the sampling size is minimum of 50 to have accuracy. The sampling size of 120 respondents have been taken in this analysis.

SPSS package version 23 is used in study for investigation and output.

DATA ANALYSIS AND RESULTS

Pilot Study - Cronbach's Alpha Test

Reliability Statistics

Reliability Statistics		
Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.769	.770	10

Inference: The arrived Cronbach alpha is greater than 0.7. Hence the questionnaire is reliable to do further data collection and analysis.

According to the key findings, 60.83 percent of respondents are aware of and have read return policies. While 35 percent and 4.17 percent of respondents are aware and have read, and 35 percent and 4.17 percent are not aware, respectively. When enquired on waiting time for return policies, 42.50 percent of respondents expect refunds within 30 days. While 10.83 percent, 3.33 percent, and 0.83 percent, respectively, anticipate returns of 60 days, 90 days, and 365 days. Goods returns reflected that 41.67 percent of respondents are returning electronics. Clothing, apparel, cosmetics, and health products are returned by 32.50 percent, 13.33 percent, 11.67 percent, and 0.83 percent of respondents, respectively. Top reasons of return being 63.3 percent of customers are returning products after delivery because the quality was not up to par. While 19.17 percent, 15%, and 2.50 percent of respondents, respectively, return things after delivery because they did not match their needs, payment alternatives, and delayed delivery.

One way ANOVA (I)

(Education Vs Antecedents on customer cancellation and returns policies)

The profile factor educational qualification was divided into three groups. The antecedents are obtained using five point Likert scale from the three sub groups of the respondents were converted into numerical data and fitted using one way ANOVA to find out the significant difference between educational qualification of respondents and antecedents leading to impact customer cancellation and returns policy.

Education Vs Antecedents on customer cancellation and returns policies

Antecedents	Education	N	Mean	F	Sig
How satisfied are you with amazon speed of delivery?	School Level	3	1.33	0.337	0.714
	Undergraduate	53	1.64		
	Post graduate	65	1.6		
How satisfied are you with Flipkart speed of delivery?	School Level	3	1.33	1.233	0.295
	Undergraduate	53	2.06		
	Post graduate	65	2.08		
How satisfied are you with Myntra speed of delivery?	School Level	3	1.33	2.993	0.054
	Undergraduate	53	2.45		
	Post graduate	65	2.2		
How satisfied are you with Ajio speed of delivery?	School Level	3	1.33	2.523	0.085
	Undergraduate	53	2.51		
	Post graduate	65	2.55		
How satisfied are you with return services?	School Level	3	1.33	2.507	0.086
	Undergraduate	53	2.26		
	Post graduate	65	2.09		
How satisfied are you with service of the delivery personnel?	School Level	3	1.67	2.119	0.125
	Undergraduate	53	1.83		
	Post graduate	65	2.09		
The e-commerce platforms are responsive (keep customers informed) to your questions or concerns about their products?	School Level	3	1.33	1.852	0.162
	Undergraduate	53	2.19		
	Post graduate	65	2.02		
The ecommerce platforms deliver your product within the expected timeline?	School Level	3	2	0.14	0.87
	Undergraduate	53	2.21		
	Post graduate	65	2.14		
The e-commerce platforms are assured (making customer feel safe) to your questions or concerns about their products.	School Level	3	1.67	1.663	0.194
	Undergraduate	53	2.38		
	Post graduate	65	2.15		
The e-commerce platforms are empathetic (individual attention and delivery in convenient hours) to your questions or concerns about their products?	School Level	3	1.67	1.309	0.274
	Undergraduate	53	2.36		
	Post graduate	65	2.2		
The e-commerce platforms are reliable (providing service as promised) to your questions or concerns about their products?	School Level	3	1.33	1.67	0.193
	Undergraduate	53	2.3		
	Post graduate	65	2.28		

INFERENCE

When observing value of F and significances of p-value (which is more than the .05 alpha level), there are statistically insignificant differences between the means of the different levels of the education variable and critical antecedents and hence no categorical effect is observed.

Suggestion and Recommendation

Creating a clear and easy to find policies in the website as well as application, establishing clear internal process for accepting and processing returns, Improve return services and customer

experience by analyzing past data are few suggestions on how Ajio return services can be improved. On time delivery of product influence returns and cancellation behavior of 53.33% respondents. On time delivery is keeping ecommerce customer happy by meeting promised commitments, ship dates and delivery dates. This can be improved by maintaining accurate inventory in purchasing process, creating and maintaining realistic shipping and delivery schedules⁴, making quality a priority and monitoring efficiency levels, having a well-trained and dedicated workforce^{4,9} as well as finding the problem for delay in delivery and implementing solutions. When responsiveness

is achieved, the customer will have clarity of their product delivery⁵ even when there is a delay and that it might eliminate return or cancellation. Innovating product portfolio will make customer feel safe and make a customer feel assured, and strengthening digital services along with value will improve individual satisfaction and thus empathy can be achieved.

CONCLUSION

The study focuses on interdependence between the frequency of internet shopping and the logistic aspects of e-commerce. This research gives researchers, ecommerce platform user and owners useful information about logistic influence on return and cancellation. A lenient return policy or poor return service can be seen as risk in driving poor sales and increased rate of returns.^{6,7} In this study, factors influencing e-commerce possible returning reasons are studied, along with linked returning behavior. It provides insights on managing and reducing customer returns. The results obtained could be useful to researchers in examining factors influencing customer cancellation and return on e-commerce supply chain practises.

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