

REVERSE LOGISTICS RETURN POLICIES AND THEIR POSSIBLE IMPACTS ON CUSTOMER LOYALTY IN E-RETAILING ENVIRONMENT

Logistics

Master's thesis

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ABSTRACT

The innovativeness and competitiveness of online retailing has reshaped business activities. The market has grown hitherto its revenue rate cannot be compared with traditional retailing. Online retailing provides opportunities for e-retailers and customers who are physically distant to transact with each other. Therefore, the range of services offered by e-retailers has positioned the market to be more competitive than ever thought. This study aims in analysing and evaluating the possible impact of return policies on customer loyalty and satisfaction in an e-retailing environment. The return policies are capable of improving customer services to acquire repeated customer patronage and as well create long-term relationship that is essential for business growth. Loyalty is individual intention to repurchase products through a particular retailer. E-retailer must understand customer online shopping drivers in order to benefit from customer loyalty. Consumer satisfaction is measurable after product consumption by evaluating the discrepancy between expected product value and actual value.

Researchers have shown the importance and effect of reverse logistic in e- retailing. However, only few studies have focused on the impact of return policies on customer satisfaction and loyalty in e-retailing environment. Research questions are formulated to provide extensive and worthy findings on the research topic and provide information to the existing gap between e-retailer and customer loyalty sustenance. Based on our empirical study we analyse and discuss potential impacts of different return policies on customer satisfaction and loyalty. First, a conceptual framework was developed to formulate the research question in detail. The case companies' website information on return policies was used as our primary data, since it is exactly the same information that is given to their customers.

The findings revealed that e-retailers should design return policies that accept product return only for products which value can be recaptured. A product that has significantly lost value has the potential of increasing operating cost, if accepted for return and could negative affect profitability. Liberal return policy may contribute to the entire reverse logistics performance in retaining customers. Return policies that are positioned based on business strategy may have significant relationship with customer loyalty. The competitiveness, legislation and growth in e-commerce have forced e-retailers to have similar return policies designed to entice and retain customers. In conclusion, offering acceptable return policies can impact on customer satisfaction and generate customer loyalty.

Keywords: Reverse logistics; Return policies, Customer loyalty, Satisfaction, E-retailing

ABSTRAKTI

Verkkokaupan innovatiivisuus ja kilpailukyky on muokannut kaupankäyntiä. Perinteinen kaupankäynti on edelleen suurempaa, mutta sähköisen kaupankäynnin osuus kokonaiskaupasta on jatkuvassa kasvussa. Verkkokauppa tarjoaa mahdollisuuden vähittäiskauppaan asiakkaan ja kauppiaan välillä, vaikka he olisivat fyysisesti kaukana toisistaan. Tämän vuoksi verkkokaupan tarjonta laajenee ja tulee entistä kilpailukykyisemmäksi.

Tämä tutkielma analysoi verkkokaupan tarjoaman palautusoikeuden vaikutuksia asiakasuskollisuuden ja asiakastyytyväisyyden muodostumiseen. Palautusoikeuden tarjoamisella on todettu olevan vaikutusta pitkäaikaisen ja vakinaisen asiakaskunnan muodostumiseen, mikä on välttämätöntä liiketoiminnan kasvun kannalta. Uskollisuus tarkoittaa yksilön aikomusta ostaa tuotteita aina tietyn vähittäiskauppiaan kautta. Verkkokauppiaan on tiedettävä, mitkä tekijät vaikuttavat verkkokaupassa uskollisuuden syntymiseen kauppiaan ja kuluttajan välillä. Asiakastyytyväisyyttä voidaan mitata tuotteen käyttämisen jälkeen vertaamalla tuotteen odotetun arvon ja todellisen arvon suhdetta.

Tutkijat ovat osoittaneet käänteisen logistiikan tärkeyden verkkokaupalle. Kuitenkin verkkokaupan tarjoaman palautusoikeuden vaikutuksia asiakastyytyväisyyden ja asiakasuskollisuuden muodostumiselle on tutkittu melko vähän. Tutkimuskysymysten avulla pyritään löytämään tietoa palautusoikeuden vaikutuksista asiakasuskollisuuden ja asiakastyytyväisyyden syntymiseen. Tutkimuksen aineistona käytetään viiden eri verkkokaupan palautusoikeuspolitiikkaa.

Tutkimuksen löydös on, että verkkokauppiaan tulisi tarjota palautusoikeus tuotteille, jotka eivät menetä arvoaan nopeasti. Palautettu tuote, joka on ajan kuluessa menettänyt arvoaan, lisää merkittävästi operatiivisia kustannuksia ja vaikuttaa negatiivisesti kannattavuuteen. Tuotteiden palautusoikeudella on merkitystä asiakkaiden houkuttelemiselle ja säilyttämiselle. Palautusoikeus liiketoimintastrategiana lisää asiakasuskollisuutta. Kilpailu, lainsäädäntö ja verkkokaupan kasvu ovat muokanneet verkkokauppojen palautusoikeudet hyvin samankaltaisiksi. Yhteenvedona voidaan todeta, että palautusoikeus vaikuttaa positiivisesti asiakastyytyväisyyteen ja tuottaa uskollisia asiakkaita.

Avainsanat: käänteinen logistiikka, palautusoikeus, asiakasuskollisuus, tyytyväisyys, verkkokauppa.

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1. INTRODUCTION

1.1. Background and motivation

Internet activities are growing every day; these include email, web browsing, entertainments, various media platforms (Facebook, Twitter, MySpace etc.) and internet transactions. There are several names given to internet selling by scholars (George et al., 2006; Li and Zhang, 2002; Fen, 2010; Francis and White, 2004) as Internet retailing, E-retailing, Virtual retailing, Web retailing, Online retailing, E - tailing, and E-commerce.

The emergence of online transaction has reshaped business activities and the online market has grown (Xu and Jiang, 2009; Kim and Kim, 2004). So far, online retailing revenue stream cannot be compared with the traditional retailing. E -commerce has become one of the vital characteristic in the internet era (Li and Zhang, 2002; Fen, 2010). Online shopping has become third most popular internet activity, followed by email, instant messaging and web browsing (Li and Zhang, 2002). Online retailing has provided opportunities to e-retailer and customers who are physically distanced to transact with each other (Mollenkopf et al., 2007). E -retailing market provide customer with necessary product information, reduction in transaction cost, accessibility to products from numerous locations, and price, product and policies comparison. Therefore, the range of service offering positioned the market to be more competitive than ever thought (Yoo et al., 2010).

Logistics is commonly perceived as planning for transporting goods from one location to another without or with little hindrances. Contrary to general perception, logistics cut across all facets of businesses that make its operations more than movement of goods from one location to another (appendix page 141). Over a reasonable period, product life cycle has been a valuable source of insight on the changes needed in marketing and logistics over the product life (Tibben-Lembke, 2002; Schatteman, 2001).

Reverse logistics is useful approach for companies that are dealing with commercial return and production wastes (Grabara and Nowakowska) Reverse logistics aims not to only reduce cost (Jiang and Rosenbloom, 2004) but, to bring products back and generate value along the supply chain. Understanding the definition of reverse logistics (appendix page 141) imply that, reverse logistics has a significant influence on various organizations and extremely possible that customers could encounter the necessity during their lives (Nawari, 2006). The knowledge on positive influence of reverse logistics on the e-retailer business should form the basis for return policies implementation. Concisely, e-retailer could enjoy frequent patronage, customer loyalty and commitment, and improved relationship when effective, efficient and acceptable return policies are implemented.

Return policies has the capability of assisting in increasing the level of services provided by e-retailer to achieve customer repeated patronage, improve communication, and as well create long-term relationship that is essential for business growth. The volume of products returned has tendency of affecting entire supply chain that comprises final consumers, retailers, wholesalers, suppliers and manufacturer in respect to its financial value. When considering the type of products that are suitable for reverse logistics, it is worthwhile for e-retailer to accept products that has not lost significant recoverable value. A product that has lost significant value can increase operating cost if accepted for return, therefore, e-retailer needs to design return policies that support products with recoverable value.

Consumer satisfaction is measurable after product consumption (Yoo et al., 2010), by evaluating the discrepancy between expected and actual product value. Customers that obtained values for money through interaction is significantly satisfy than those who perceived no value. Satisfaction is an after consumption appraisal grounded on contrast amid the expected value before and after consumption of the product (Oliver, 1981).

The relationship between customers and e-retailers need to be cautiously handled when managing product return. Poor return handling has the ability of affecting e-retailer corporate image and customer relationship adversely. On contrary, effective customer services that provide

customer with required products information is a suitable tool in managing product return. Efficient interaction has the capacity to influence e-satisfaction, enhance customer e-retailer relationship, sustain loyalty, and increase future patronage. Furthermore, the apparent service quality of online retailer significantly could influence customer satisfaction, while satisfaction is an emotional response to the perceived service quality. Chiou (2004) assert that increase in satisfaction level can influence and increase loyalty.

Reverse logistics can be used to gain competitive advantage that is capable of making customer satisfy, increase trust and loyalty, and as outstanding investment in achieving future customer patronage. E-retailers challenge varies when operating e-retailing; they are faced with how to effectively handle and manage returned products, what method would be appropriate in improving the existing customers and retailers' relationships, and which method would be efficient in promoting trust between the parties involved?

E-retailing business is growing daily and their network and customer chain is expanding. E-retailers are implementing various customer services to encourage repeated patronage in order to enjoy customer retention and loyalty (Omar et al., 2009). Among customer services offered is return policies but insignificant number of e-retailer focused on return policies as possible strategies of gaining customer loyalty.

Researchers have written several articles on the importance of return policy, customer loyalty in e-retailing and reverse logistics impact on e-retailing with little consideration on the possible impact of return policies in gaining customer loyalty in e-retailing. With changes in business strategies and techniques of winning customer and retain market leadership, there is need to examine return policies as suitable technique for wining customer loyalty. Return policies are different from other methods being used in encouraging repeated purchase, because it functions as a contractual agreement between the parties. The research findings will also add to the pool of knowledge on e-retailer strategies in achieving customer loyalty through customer service. It provides e-retailer with opportunity of using return policies in appraising online customer commitments. Therefore, it worth researching on the possible impact of returns policies in

winning customer loyalty especially in a competitive e-environment where the market is growing daily. In addition, one of the trends in developing countries is that SME's are beginning to embrace e-business in order to increase their presence and awareness in the global market. This is due to the fact that, with little investment on IT infrastructures they can sell their products across borders and favourably compete with other big players in the market. More so, many of these SME's in developing countries do not have a written return policy, because they are not aware or see no connection between return policy management and customer retention and loyalty. The aforementioned serve as motivating factors in embarking on the research work to evaluate and analyse return policies as appropriate approaches for e-retailer in keeping and gaining e-consumer loyalty.

1.2. Aim of the study and Research problem

The study aims and objectives are to provide answers to questions, explore, and generate a new technique of winning customer loyalty in e-retailing through return policies. The study shall examine what kind of return policies the selected companies have and develop a unified scheme for analysing them. Furthermore, it will afford e-retailer an opportunity to look beyond price, quality, brand image, and advertisement in securing customer loyalty by considering return policies.

The study intends to analyse and evaluate return policies of selected e-retailing firms in Finland, Sweden, Spain, Germany, and United Kingdom (Zalando, H&M, Zara, ASOS and Dress-for-less). Furthermore, the impact of EU harmonized consumer rights legislation on customer rights shall be examined. The study findings intend to benefit online-retailing firms, online customers and contribute to academic research work.

Considerable researchers have mentioned the importance and effect of reverse logistics in e-retailing (Rogers and Tibben-Lembke, 1999). However, there are scarce amounts of studies focusing on the impact of return policies on customer satisfaction and loyalty in e-commerce environment. Therefore, the research problems are:

1. To evaluate and analyse the possible impact of different online companies' return policies on customer loyalty and satisfaction in online environment.
2. To address the problem statement properly, the primary research problem is to evaluate how return policies could be instrumental in generating customer satisfaction and loyalty.
3. What are the importance of harmonized European Union legislation on customer rights in sustaining and maintaining customer relationship in online environment?

1.3. Research methodology and empirical study

The current research methodology relies on information gathered from review of literatures of selected articles from academic conferences, journals, research websites, textbooks, and e-retailer websites. The articles focused on internet-retailing environment and e-customer behaviours, e-retailers return policies, customer loyalty, and European Union consumer protection policies. Academic recognized search engines like Emerald, Science direct, Wiley Online Library, Sage premier, and Web of Knowledge was consulted in sourcing for all the relevant articles and journals used in the current research work.

The empirical study on potential impact of return policies on customer satisfaction and loyalty are discussed based on data collection and analysis. Research question was formulated to provide extensive and worthy findings on the research topic and provides information to the existing gaps between e-retailer and customer loyalty sustenance. Literatures and earlier research related to the formulated research questions were extensively searched and studied to identify existing gaps. A conceptual framework was developed to explain the research question in detail. The e-retailer websites provides comprehensive information on various return policies been used by the selected companies. Five retailing firms and their websites were select as an object for the current study. The case Companies' website information on return policies is used as primary data, since the same information is given to their respective customers in an exactly same form. A unified measuring scale was carefully designed to analyse the return policies to determine the possibility of using the policies in securing customer loyalty.

1.4. Thesis structure

The introductory Chapter describes the background of the study and research problems. Chapter 2 presents relevant review literatures, their contributions, and theoretical framework. Chapter 3 introduced the methodology and the empirical use in the analysis of the case companies. Chapter 4 presents the findings that will add new contributions to already studied areas on customer loyalty. The final chapter presents the conclusions and discusses the research findings and its implications.

2. LITERATURE REVIEW

Internet provides opportunities for e-retailers and customers to transact directly without third parties, enjoy instantaneous communication, and achieve non-existing store benefits. Returning product back to e-retailers for re-usage, value recovery, repackaging, and resale at discounted price is no more new in business world. However, the intensive study of reversing business activities along supply chain is gaining wider consideration.

Literatures review is the documentation of facts on previously studied and published journal by recognized scholars and researchers. The aim of writing literature review is to give explanation and summarize the ideas and findings already established on specific topic without altering or adding new contributions. Literature review assist researcher in understanding the existing body of knowledge and issues where comprehensive research have been made and where there is vacuum for further research.

This chapter review previous literature relevant to the study. The literature review comprises nine subchapters. Subchapter 1 presents the history of reverse logistics in the present study. Subchapter 2 addresses the differences between forward logistics and reverse logistics. Subchapter 3 discusses research topics on reverse logistics and e- retailing. Subchapter 4 focused on return policies, subchapter 5 address product return handling and its effect, subchapter 6 explore customer expectation from return policy, subchapter 7 analyse Customers satisfaction and loyalty, while subchapter 8 explore EU customers' right laws and it impact on e-retailer and e-consumer. Finally, subchapter 9 summarizes the main subjects from the reviewed literatures together in to a framework that provides a basis for the study.

2.1. History of reverse logistics

Reverse logistics is more pronounced in early 1990's through Rogers and Tibben-Lembke's (1998) book "Going Backwards: Reverse logistics trends in practices" that increases interest on

the subject. Several activities that happened in the past prove the existence of reverse logistics. Effective return policy communication between e-retailer and customer increases trust level. Montgomery Ward started a catalogue business with first mail order catalogue; the rural customer rejects the product and set ablaze the catalogue publicly. In 1875, Montgomery Ward attracts more customers through the company return policy “satisfaction guarantee or money back” (Walden, 2005).

In 1984, McNeil laboratories a division of Johnson & Johnson implement reverse logistics (Walden, 2005). Numerous user of the company product died of poison, when cyanide was mistakenly sealed inside bottle of the company product (Tylenol). The awful incidence arises twice within few years and required the company to cleanse off its supply chain from the poisonous product. The timely action of cleansing off the poisonous product from market assist the company to experience increase in sales after three (3) days of taking the action. The company will lose its image and customer, if failed not to be strategic in taking action.

Hanna Andersson a retailer of children clothes developed a reverse logistics called “Hannadowns” where customers are request to send all their children’s worn cloths back to the company for 20% discount off on any new cloth purchase from the company (Roger and Tibben- Lembke’s 1998).

Various yardsticks have been use in many literatures to describe the impact of reverse logistics on e-retailers including competitiveness, environmental, and cost related issues. Reverse logistics has position e-retailers to be more innovative in developing strategies of dealing with defect products and generate revenue, while other firms are still sceptical on reverse logistics implementation due to limited understanding.

E-retailer that value business growth than profit can develop and establish indispensable way of excelling in competitive market. E-retailers channel their efforts on all activities that precede sales and product delivery to customers, with little consideration on after sales services. With changes on how e-commerce activities are being practiced, firms need to prioritize reverse logistics as effective tool in achieving cost reduction, customer satisfaction and loyalty (Bernon,

et al., 2011; Tibben-Lembke, 2002) and competitive advantage(Ma, 2010). For over a period, researcher's attention has been on logistics; recently there has been growing interest on reverse logistics with infinitesimal attention on online-retailing reverse logistics (Fan, 2007), that serves as the position of this research work.

Kumar and Chatterjee (2011) reveal that, as product moves through the reverse supply chain more than forty-five (45) percent of its assets value is lost in the process. Decisions on return policies should not be sole responsibility of a department within an organization; there should be involvement of other departments (Bernon et al., 2011). An effective return policy serves as guarantee for product quality (Kim and Wansink, 2012); therefore, there should be clear information on conditions that must be satisfy by customers before a product can be return. However, an e-retailers and buyer must agree on method of reducing financial losses associate with products return.

Possible problems of reverse logistics in early days of e-commerce boom

The boom in e-commerce witnessed sharp increase in the volume of returned product. Returned products are regard as waste that does not have significant importance and residual value. Majority of internet-retailing firms disregard reverse logistics due to lack of understanding on its possible benefits, thereby regard it as evil and additional cost to business operations.

Effective handling of returned product is an essential component of customer services that e-retailer can offer to customer (Rupnow, 2005). Because of lack of experience in management and handling of reverse logistics issues, e-retailers were faced with non-existence of efficient and effective product return channels. Significant number of e-retailers does not know where to commence return process, how to get desirable information and data, and finally lack of operational technology is causing certain degree inefficiency. Majority of e-commerce firms failed to allocate sufficient energy, time and resources to reverse logistics management due to lack of knowledge (Roger and Tibben –Lembke, 1998). Building a customer friendly return

policies are another hurdle for e-retailers to cross, since one of the key to gaining customers loyalty is the level and quality of customer support offered. Likewise, the firms face difficulties on how to balance satisfying customer and reduce the likely impact of return on profits.

Furthermore, when faulty or defect product are deliver to customer. E-retailer have to determine who is responsible for the defect and who will bear the costs of damaged product, delivery and return fees, and dispute resolution when claiming damage. Difficulties on how to decide the number of product that could be recover and their respective recovery condition couple with high cost of process delaying serve as limiting factor. Handling of product replacement, payment refund, administrative cost, and additional cost that can arise when disputing damage claims are among possible problems associated with early days of e-commerce boom (Elmas and Erdoğan, 2011). In addition, management barriers, rigidity in company policies, lack of personnel resources, reluctant of support from other workers, handling of legal issues and lack of technology systems to handle reverse logistics position as barriers to e-commerce boom (Fen 2010; Rogers and Tibben –Lembke, 1998; Permenter, 2012).

2.2. Differences between reverse and forward logistics

The Council of Logistics Management (1998) define logistics as The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of origin to the point of consumption for the purpose of conforming to customer requirements.

According Rogers and Tibben – Lembke (2002) Reverse logistics is different from forward logistics processes. Sales can be forecast in the forward logistics when specific numbers of product is required; however, it is contrary in reverse logistics because the number of product to be returned cannot be predicted. The E-commerce and logistics are accompaniments to each other, logistics is the essential guarantee for e commerce, and e-commerce is the future for logistics, however both tends to incorporate with the development of information technology (Xu and Jiang, 2009).There should be clear distinctions between handling and administration of

forward and reverse logistics. There are notable differences between forward and reverse logistics which are caption in table1.

Table 1: The differences between forward and reverse logistics (Xu and Jiang, 2009; Rogers and Tibben-Lembke, 2002)

Forward logistics	Reverse logistic
It is more faster in planning and processing	The process is complex and have slow recovery of value
Start from a single point and end at various destinations	Start from many points and end at a single destination
Easy to forecast and predict future market trend	Hard to predict the rate of return
Focus much on company satisfaction	More customer oriented
It contributes to environmental protection and timely delivery of product for usage.	Contribute to environmental protection and promotes recycling of products.
Return rate is approximately 8-10%	Return rate of goods as high as 20-25%
Cost are more visible	Cost not directly visible
The products are more valuable	The products value is more lower than its price at the time purchase
Real time information on product tracking and monitoring if available	The information is hardly available
Management of the inventory is prioritize	Inventory management is not well coordinated
The quality of all the products are the same	The quality of returned products is not the same.
Uniformity in its packaging quality	The packaging has lost its uniformity quality

In conclusion, reverse logistics has environmental importance, essential to e-retailer business growth and overall benefits, the value recovery aspect of it provides economy benefits and

promotes sustainability. Reverse logistics provides better platform for companies to interact with their existing and potential customers. Finally, it provides companies with opportunity to differentiate themselves (Daugherty, et al., 2002).

2.3. Research Topics on reverse logistics

Reviewing literatures on reverse logistics, some issues had been extensively studied which are consider worth understand to acquire knowledge on what has actually been studied and areas left for research. A review of these research topics are briefly mention in this thesis.

Due to the importance of reverse logistics, Francis (1994) point out that return management should be prioritize, Dave (1995) regard reverse logistics as method of gaining competitive advantage, differentiating customer service program and a formidable return process needed in achieving organizational and customer relationship goal. Webb (1994) concludes that environmental issues are driver of reverse logistics.

Srinivasan et al., (2002), opined that growth in e-retailing signal its attractive possibilities compare to brick and mortar stores. According to Evans (2009), online retail forecast reveals that US online retail sales would reach \$229 billion in 2013. Computer-generated market has significant level of associated risk (Yabalik et al., 2005). Rogers and Tibben-Lembke, (1999) return policies serves as tools in achieving competitive advantage over competitors in competitive market environment. Customer loyalty mostly evaluated through product quality, customer satisfaction and commitment (Dietz, 1997). Boyer, 2005; Rabinovich, (2004); and Xu et al., (2006) in their study point out that, perceived quality has influence on customer satisfaction.

According to Zeithaml et al., (1996), Service quality is an important factor in service differentiation and achieving competitive market advantage. The e-service quality is a crucial factor that signals failure and success of e-retailing (Yang and Peterson, 2004). Service quality

can increase customer retention and competitiveness (Santos, 2003). Website quality influence customer purchasing decision and satisfaction (Van Riel et al., 2001).

Researchers have contribute lot on manufacturer and retailer (e-retailer) relationship and their impact on reverse logistics, with insignificant contribution on the relationship between e-retailer and online shoppers (Kandel, 1996) and their after sales customer services. (2002). A successful reverse logistics can decrease cost and increase income (Li and Wang). Fang (2007) demonstrate that customer satisfaction has significant impact on customer loyalty and e-retailer must implement a customer program that offer customer desire satisfaction. Daugherty et al., (2002), reverse logistics can be used in achieving competitive advantage which can be better explain with porter theory. Competitive advantage is achievable through reverse logistics and expanded with Porter (1985) theory.

Mollenkopf et al., 2007 pronounce that, reverse logistics constitute greatest operational challenges to e-retailer because of return volume and processing associated cost. For a long time, the product life cycle has been a valuable source of insight about the changing needs of marketing and logistics over the life of a product (Rogers and Tibben-Lembke, 2002). The change in business practice has led many firms to throw their supply chain into reverse to confront problem that is yet to be predict in logistics system (Schatteman, 2001). High rate of product return signal greater problems beyond quality (Kolsaker and Payne, 2002). A crucial area in supply chain is how to handle reverse logistics and implement acceptable return policy (Schatteman, 2001). According to Rogers and Tibben –Lembke (1999), significant proportion of managers do not attach importance to reverse logistics. Reverse logistics is a vital facet of supply chain that is growing and could help firms in achieving competitive advantage over others (Tibben-Lembke, 2002); however, significant proportion of firms have discover that improving their reverse logistics process is additional value added (Subramaniam et al., 2004).

The reasons for product return are still unclear, hitherto organization ignore understanding the real cause of product return as long is not quality related (Kolsaker and Payne, 2002). Theresa (1998) identifies government legislation, product life cycles, change in supply chain power, and

new distribution channel as drivers of reverse logistics. Reverse logistics implemented purposely because of legislation must not only be managed but also include in other activities (Kumar and Chatterjee, 2011). Furthermore, environmental and economic consideration has led manufacturers taking their products back at the end of product lifetime (Schatterman, 2001). Reverse logistics is a critical part of e-retailer business policies, especially through product life cycle (Smith, 2005). Reverse logistics should be encompassed in planning products life cycle. The product life cycle afford e-retailer with strategic action on how to continuously improve customer relationship, satisfying their needs, returned products handling and its final disposal (Elmas and Erdoğan, 2011).

Schatterman (2001) assert that different systems are require to process return, specifically because of the difficulty in the number of parties involved. Through implementation of efficient reverse logistics, e-retailer can commendably manage after sales service, supply chain design, product life cycle design, and entire supply chain efficiency (Prahinski and Kocabasoglu, 2005). Yoo et al., (2010) specify that reverse logistics implementation is not to achieve cost reduction alone, but to create revenue and expand customer goodwill. The rapid growth in internet retailing has brought profound changes to economy, businesses and society at large (Xu and Jiang, 2009). With incremental growth in e-retailing, e-retailer has to cope with alarming rate of product return, environmental regulation and cost of product disposal (Prahinski and Kocabasoglu, 2005). Twenty to eighty (20- 80%) percent of the products sold online are return for various reasons (Schatterman, 2001). Despite increase in e-retailing growth, there is risk stand-in as hindrance against customer patronage; this risk has effect on e-retailer and customer satisfaction (Harridge-March, 2006).

The changes in supply chain activities permit e-retailer to include value recovery into its operation (Pollock, 2007). According to De Brito and Dekker, (2002), there are number of factors that serve as reverse logistics drivers. The importance of reverse logistics is numerous, it provide opportunity for value reclamation (Daugherty et al., 2001), new method of revenue generation, contribute positively to environmental related issues (Carter and Ellram, 1998), promote long-term relationship, help in achieving market differentiation and competitive

advantage (Daugherty et al., 2002). According to Mollenkopf et al., (2007) success of e-retailer operation can directly be link to return handling.

E-retailer that deliver unsatisfactory value to customer could fade and be swept-off by competitor; while those that offer value has the potential to grow and become successful (Naumann, 1995). Customer satisfaction has significant impact on customer loyalty (Fang, 2007), therefore, e-retailer must implement a customer program that offer desire satisfaction. There is increasing believe that, e-retailer with effective and efficient customer service program tends to gain customer commitment and loyalty as reward.

Ankli (1992) contend that management is force to plan for future and frame it in order to balance both short and long-term goals. Inadequate systems, insufficient resources, uncertainty and unpredictable of logistics requirements, time consumption and lack of sophisticated forecasting techniques were some of the challenges (Fen, 2010) that the firm must be ready to overcome. The increase in number of online customer has witness growth in customer complaint resulting in product return (Nasir, 2004). Reverse logistics implementation could be consider as innovative service of a company portfolio and it is becoming an area of competitive advantage (Elmas and Erdoğan, 2011). Efficient handling of product return can lead to reduction in costs, acquisition of market advantage, an increase in profits, and improve customer service (Kokkinaki et al., 1999). Efficient reverse logistics can capture value from products re-usage or recycling (Kokkinaki et al., 1999).

Firm that focus mainly on quality issues and neglect other return drivers could experience complex reverse logistics without ever realizing it (Kolsaker and Payne, 2002). Customers rely solely on their experience when developing intention and making repurchase decision (Jiang and Rosenbloom 2005). In forward logistics, shipment to customer are predefine rather than product return which are not expected, because e-retailer do not know the volume of product that can be returned until it is finally received (Kolsaker and Payne, 2002). Providing quality products to customer is not sufficient in differentiating an e-retailer from others, but is achievable through

the provision of a well design and successfully after purchase customers' services that can become integral part of the organization corporate strategy (Elmas and Erdoğmuş, 2011).

Reverse logistics has demonstrate that the field is specialize enough to have its own department with specialize skills (Kolsaker and Payne, 2002). Reverse logistics department must continuously gather feedback from customers in order to improve their overall experience (Kolsaker and Payne, 2002). After confirmation of product return, its processing should comprise all departments that are involved in the life cycle (product design, marketing, sales, packaging and distribution).

Functional reverse logistics can increase income and decrease cost. Reverse logistics is a strategic action than be responsive or operational in responding to customer problems and environmental issues. The immersion of e-retailer in reverse logistics implementation guarantees timely delivery of product to customers. It is a business strategy for e-retailers that do not prioritize satisfying organizational needs but considers customers satisfaction as integral part of growth. E-retailers attention and resource should be well channel on how to manage reverse logistics effectively rather than focusing on cost reduction. Some organization regard product return management as prime responsibility of warehouse managers and not accord necessary attention by other functional departments within the company. Reverse logistic alone account for approximately 5% of actual logistics costs and if poorly manage the company bottom line could suffer.

2.3.1. Reasons for shopping online

Online shopping has become third most populous internet activity, next email, instant messaging and web browsing (Li and Zhang, 2002). With variety of return policy and interactivity with consumer, e-retailer should allocate their resources effectively to improve e-consumer overall perceived value.

Reverse logistics has much importance to e-retailer, society and customers. It has environmental impact, achieving customer retention and loyalty, recapturing of value from returned goods and gaining competitive advantage (Elmas and Erdoğan, 2011; Kokkinaki et al., 1999). E-retailer strategy centers on customer retention in achieving greater value delivery. Consumer online behaviour is quite different from offline behaviour and individual consumption feelings are affective response to one's perception (Jiang and Rosenbloom, 2005). Despite all research on customer expected value, firms are still encountering difficulty in identifying the core drivers of customer expected value and key elements that influence customer value perception that are needed for e-retailer success (Naumann, 1995).

The growth in internet usage driven by efficient use of time and computer knowledge has affect e-customer shopping habit. The growth has made the virtual market more competitive because consumers have more opportunity of shopping from various e-retailers. Online customers are provided with time saving, convenient shopping, price comparison, pool of products, and real time completion of transaction (Yoo et al., 2010), reliable product delivery process and return possibility (Kim and Kim, 2004).

Shopper intention to buy from e-retailer depend on individual attitude toward online products, value, service and satisfaction provided (Li and Zhang, 2002). Online shopping behaviour denote as the process of purchasing product through internet. Online shopper's attitude is refers to as consumer psychological state in term of making internet purchase. There is lack of coherent understanding on the impact of relevant factors of online attitudes and behaviours (Li and Zhang, 2002). The researchers has investigate factors that determine e-consumer repurchasing behaviour and prominent factors that influences online consumers' attitude towards e -purchasing. Notable factors are trust, time, security and convenience of the environment (Lodorfos, et al, 2006). Shoppers with time constraint, reasonable income, computer knowledge and moderate level of education tends to buy product from online retailer (Li and Zhang, 2002).

Individual character also have effects on how online shopping is perceived, an internet oriented customer tend to purchase products via online than store. E-shopper with better understanding of

e-retailing environment will be conversant with available policies in the virtual market. Knowledge of the policies functions as stimulus that stimulates buyer in develops interest in online shopping upon which purchase decision is made. Buying decision does not end online transaction; however, there is need for various e-retailer services evaluation and experience sharing with peers. Fulfilling customer expectations and needs has the ability of influencing satisfaction level and purchasing behaviour.

Online shopper prefer to purchase product through internet because of its convenience, cost saving, and price comparison. Online sales are prone to some identify risks including privacy risk, internet fraud, product quality, and customer service program. Incentive promised by e-retailer in enticing customer to continuously patronizing their product need to be fulfilled; also, shopper moderate shortcoming of returning product should be endured to increase their commitment.

Customer's computer knowledge, internet usability, online trade convenience, time availability, easier navigation through the website, and forecast knowledgeable in predicting market are among individual varying factors that influence online customer's intention to transact via internet. Other issues consider as major facilitator for buyers to transact using internet includes ability to easily navigate through e-retailer website and make stress free purchase decision making. Furthermore, ability to develop a trust based strategy that could promote long-term relationship (Merrilees and Fry, 2003).

E-retailer website creates possibility for consumer to shop with e-retailer (Smith, 2005). Researchers have demonstrated that website quality assists customer efforts to effectively complete transaction efficiently and encourage them for future patronage (Li and Zhang, 2002). A well design and easy to navigate website can reduce purchasing mistake usually link to website navigation inconvenience (Srinivasan et al., 2002). To be successful and competitive, e-retailer should develop and maintain customer loyalty. E-retailer attention should not be much on what make buyer satisfy alone, but being able to analyse the important of those factors to e-buyer.

2.3.2. Factors mitigating against online shopping

Convenience is another factor that contributes to customer's attitude of shopping with an e-retailer, which is collaborated with ease navigation of e-retailer website. Many online shoppers are reluctant in shopping online due to issues bordering on privacy, security, and trustworthiness of internet (Lodorfos, et al., 2006). E-retailing has constraints limiting its operation and growth; notable limiting factors are privacy risk, perceived fear of fraud, return policy and customer service program, and product and service quality.

The online retailing constraint is not limited to e-retailers alone, buyers has their fair share of the constraints. The price transparency, cross-border purchase difficulties, payment problems, legal regulation were described as customers related problems. Product return handling, richness of product information on e-retailer web site, ease ordering and shopping convenience have positive influence on customer shopping perceptions (Jiang and Rosenbloom, 2005). With the growth in internet retailing activities, the alleged greatest challenge facing the sector by managers is how to handle product return and associated costs. E-retailers see handling and managing of products return as huge expenses and complicated (Mollenkopf et al., 2007).

2.3.3. Drivers of return

The evolution of e-retailing activities has massively add to the rate at which products are been returned (Bernon, et al., 2011; Xu and Jiang, 2009). The fashion industry stood as most affected because customer order comprises ambiguities (different sizes, feature and texture not too familiar with) that unfortunately lead to returning the products back to e-seller.

The growth in e-commerce business activities should not be view as threat to brick and mortar business; however, as prospect that compel retailers to develop effective and efficient reverse logistics. Meanwhile, significant numbers of e-retailers that practice reverse logistics has not fulfil the needed measures necessary in achieving desire results.

There are drivers that facilitate products return, though it depends on initiator. Notable among the drivers include, packaging defects or defects in product qualities and specifications, out-dated, late delivery, completely different product. Lack of trust exists within supply chains; buyers sometimes return the product to substantiate existence of product return. Therefore, there is need for interest alliance between e-retailer and customer to achieve mutual benefits. Currall and Judge, (1995) define trust as an individual's reliance on another party under condition of dependence and risk. Effective integration and collaboration involving trust and commitment of e-retailer and customer in supply chain is an important factor that can facilitate successful reverse logistics performance and ensure timely response to customers return wish.

Reverse logistics includes return and recovery reverse logistics. Customer inability to return product successfully make them to abandon internet transacting. Customer gave several reasons to justify their action for returning product; some of the acclaimed reason(s) were justifiable while some are fraudulent in nature. Notable among the drivers of product return are packaging defect, defect qualities and specifications, product failure in fulfilling desire need, non-conformity to order specification, product with different features (Chartered institutes of mgmt. accountants, 2010), late delivery, liberal return policies, and sudden change in customer decision that require further study and analysed.

2.3.4. Effect of return

E-retailers previously focus on activities that precede sales by channelling their resources in ensuring affordable price, product quality, timely delivery of product, but failed to realize the potential benefits of reverse logistics through product return. The percentage of returned product to general dealer is between 5-10%, while it is over 35% for products sold through internet (Li and Wang).

Nowadays, e-retailers has position reverse logistics as mechanism for achieving supply chain competitiveness and improve customer satisfaction rather than necessary evil (Ma,2010). Successful e-retailers are those that can influence their reverse logistics to provide customer with

what they actually want, expect, as well creating and maintaining competitive advantage wherever it is possible (Pollock, 2007). E-retailers should not view reverse logistics as probable approach for cost minimization, rather as a strategy for creating value in supply chain management (Yoo et al., 2010).

E-retailer is successful when implemented reverse logistic satisfies customer needs, meet expectations, generate and sustain probable competitive advantage. E-retailer understanding of direct and indirect benefits of reverse logistics on its operation could produce desire organizational results and customer loyalty. Reverse logistics is a tool that is employable in achieving customer satisfaction and competitive advantage. Numerous e-retailers and firms use their reverse logistics and strength as market differentiators with the intention of keeping their customers more satisfy and loyal. Majority of e-retailers failed to understand the latent benefit of return policies implementation on their business. The return policies has the ability to increase level of services delivered to customer, increase customers' patronage and loyalty, and raise effective communication between the parties. A critical question in reverse logistics management when products are return is that, who will be responsible for the shipping cost on returned product? When shopper pays the shipping cost for returning product, would the action not affect future purchasing decision. However, when e-retailer pays the shipping cost, what impact will it have on the company revenue stream?

A functioning reverse logistics would be able to move products in and out as possible to ensure customer satisfaction. Competitive advantage can be built with reverse logistics when e-retailer listen and understand customer expectation, plan ahead of customer, continuously enhance its corporate image through effective policies and be more interactive than being proactive or reactive to customers (Pollock, 2007). Online customers are satisfied when e-retailer products meet or surpass their expectations. Return policies can contribute to fall in operational cost and increase revenue stream if well employed.

An e-retailer that wants to achieve customer loyalty and competitive advantage must be able to measure, identify, and promote actual value of reverse logistic significance to the company

prospective and existing customers. Improve and efficient reverse logistic serve as marketing and promotion mechanism that contribute to achieving competitive advantage, especially when actual value and benefit is communicate to the customers. Reverse logistics provide e-retailer an opportunity of communicating with customer. The more e-retailer grows, the more e-retailers embrace reverse logistics in handling logistics cost and acquire new revenue prospects (Permenter, 2012).

2.3.5. Competition

The significance of reverse logistics in the current supply chain management cannot be push aside. Reverse logistics as a competitive strategy could reduce cost and provide competitive advantage for e-retailer. Porter theory is appropriate in analysing business competitive advantage. Companies' within a market are competing on cost and customer retention to control and retain market dominancy. To achieve competitive strategic goal, e-retailer must demonstrate sound operational strategy to be able to compete and dominate the market in which it operates. In addition, the competitive strategy must compliment abilities that drive the organization.

Actually, no e-retailers are willing to take back already sold product from customer, but because of factors facilitating product return they have to accept it to be competitive. Competition among firms are mostly done through product, price, delivery but recently attention has shift to the usage of customer service as tool for achieving competitive advantage especially with functional return policies.

Competition among e-retailers is not about the product offer for sales, but between additional services added to the products that customer's value (Jiang and Rosenbloom, 2005). Customer intention to repurchase is on previous experience with the e-retailer and product. Competition among e-retailers is not between what they produce.

E-retailers consider competition in the market as critical issue that must not be handled with leniency; each retailer is looking for methods of retaining and acquiring more customers. Market

competitiveness energizes e-retailers to improve on maintaining and exceed their organizational standard that is achievable through implementation of effective and efficient reverse logistics.

According to Daugherty et al., (2002), e-retailers can use reverse logistics to achieve competitive advantage by distinguishing themselves. This can be better-explain with porter five theory. Reverse logistics is latest strategy in attaining competitive advantage among players in e-retailing. Reverse logistics is denote as return management, in achieving competitive advantage (Daugherty et al., 2002), which can be better explain with Porter theory. An e –retailer that wants to use reverse logistics in achieving competitive advantage must develop a reverse logistics strategic planning in line with market analysis.

Porter five forces is a suitable tool in studying firm and its business functional strategies and global competitiveness. The theory enable e-retailers to methodically understand the market in which they operates and analyse how e- retailers can use reverse logistics to attract and retain existing and potential customers (Ankli,1992). E-retailer competitive strategy should lead to cost reduction or target differentiation, and not attempt to achieve both due to impeding risk of being trap in the middle and lose to specialized firms (Porter, 1979). However, once firms in an industry stop competing, the industries could undoubtedly stagnate. The extent of competition within the industry can be measured with the number of rivalries dominancy. Competition among companies in the same sector within economic model pushes profits down to zero. It affords shoppers an opportunity to consider price, return policy, delivery and quality (Porter, 1985).

2.3.6. Cost

The cost makes it necessary to implement appropriate measure that is capable of handling of reverse logistics stages. The frequency of goods return for products bought online could be as high as 50-70 % (Meyer, 1999). Blackburn et al. (2004) describe the cost of product return as the value of return plus all reverse logistics costs minus revenue recover from the product (cost of product return= (value of the product + all reverse logistics) – revenue recovered).

E-retailer need to ascertain and measure cost of good return to the company across its supply chain, as some of the cost were visible, while others hidden. There are costs associated with return handling, transportation, processing, inspection, sorting, administrative cost, repair or remanufacture and final disposition.

One of the major problems in reverse logistics is how to deal with its costs; reverse logistics associated costs are higher than forward logistics that prevents its implementation by most companies. Nevertheless, the cost link to reverse logistics is greater than forward logistics; but the enjoyable benefits exceed costs (Grabara and Nowakowska).

Reverse logistics did not only affect sales figures, on the other hand affect the revenue stream. Rogers and Tibben-Lembke, 1999 point out that returned product account for as high as 20% of goods sold in some firms. Cost associated with product return can be reduced through several approaches and provide e-retailer with opportunity of using competency as competitive weapon (Schatteman, 2001). Handling cost, transportation, and determination of final disposal of returned products is estimated as \$35 billion for US firms annually (Meyer, 1999). The worth of returned product varies with industries. The value of products that US consumers return to retailers exceeds \$100 billion annually.

E-retailer must develop policies that can help them to identify causes and category of products that record highest rate of return. Avoidance approach can help in reduce cost relating to product return, if the cost will result in higher cost than the desired revenue. E-retailer can agree to refund customer and instruct them to keep the product. Yet it is a good approach in guaranteeing customer happiness, but vulnerable to abuse by fraudulent buyer that want to hide under pretence of establishing return.

E-retailer should provide buyers with the same experience that is available when shopping at bricks and mortar stores. According to Smith, (2005), determination of exact cost spent on reverse logistics cannot be explained due to lack of accurate documentation, (Smith, 2005) recording and cost tracking to each cost center. The cost in reverse logistics is higher because

the returned products are not strategically given attention and are stored in warehouse for longer period of time (Joseph, D. et al., 2004). It occupies warehouse floor space and depreciates in value as longer as it stays without further processing.

Encouraging existing customer for further patronage is more profitable than attract new customer. The cost of new customer acquisition is greater than the cost of retaining existing customer (Lodorfos et al., 2006). The presumed critical phase in reverse logistics is the management of return collection and matching of returned product information with original purchase (Joseph, D. et al., 2004).

2.4. RETURN POLICY

According to USLegal (online), return policy is the rule that retail merchants established to manage the process by which customers return or exchange unwanted or defective merchandise that have been previously purchased. Return policies are an extension of customer service that e-retailers provide; they tend to be liberal consequently.

The study of reverse logistics with focus on return policy is somewhat unexplored and the spate of inflow of returned products is becoming significant source of concern to e-retailers (Blackburn et al., 2004). E-retailers are competing in virtual market by offering series of values to customers, which include attractive product price, customer service program, return opportunity for unsatisfactory product, and refund of payment (Kim and Wansink, 2012). E-retailer implements return policies as a strategy for competitive policy. Return policy serve as feature for customer in postponing purchase decision until specific level of satisfactory experience is attain with the products purchased.

The return policies and handling is an evil that should be accommodate, it enable e-retailer to compromise between profit, customer satisfaction and retention. Customer complaint that is positively handled could affect customer satisfaction; then e-retailers are likely to receive fewer

adverse response. Yet, e-retailers are cautious in implementing return policy due to observed risks. The implementation of return policies should exist on understanding the impact of reverse logistic on entire supply chain and business activities.

With the change in European Union consumer policies, e-retailers have to include return policies among its customer service program to protect customer's right. The inclusion can promote business survival and development, by adding value to customers, increase satisfaction and boost firm competitive advantage.

Fashion industry is the leading sector with highest record of online product return. Despite, the rate of shopping online is increasing daily. The increase in understanding the impact of return policy on customer loyalty, satisfaction, and continuous patronage, has shift companies attention from manufacturer and retailer relationship to e-retailer and consumer relationship (Mollenkopf et al., 2007).

Various driver influence e-retailer level of participation in return policy and these vary across businesses (Prahinski and Kocabasoglu, 2005). Product return opportunity is offer to customer for different reasons ranging from competitive desire, customer satisfaction as an asset, government legislation, and environmental concern among others (Mollenkopf et al., 2007).

Returned products have substantial effect on supply chain that comprise final consumers, retailers, wholesalers, suppliers and manufacturer. It is reasonable for e-retailer to accept only product that have significant value than accepting product that could increase operating cost. A strategic method for reducing the volume of product return is needed. Likewise, acceptable return policies could influence purchasing decision. Because of upsurge in customer behaviour and product return, e-retailers must focus on efficient customer service and return policy (Kim and Wansink, 2012). Broham, 2005 argues that, the importance attach to return policies signify the influence of product return management on customer perception. Broham argument was supported by Webster and Weng, (2000) that, return policies can increase the upside potential of manufacturer profits by encouraging retailers to order more. Return policies implemented by e-

retailer indicate product quality, reduce customer perceived risk, and sustain long-term customer value (Kim and Wansink, 2012).

An effective return policy should be able to answer shopper frequently asked questions on the type of products allowed for return and acceptable return procedure? What are the processes for getting return approval? Who is the contact person for return? What costs are associated with product return and who is responsible for the payment? What is the duration permitted to have the product returned? Finally, what are the conditions for receiving refund or replacement?

The terms and conditions govern the relationship between e-retailers and its customer makes their activities legally binding and stipulates the rights and duties of each partner. These terms and conditions found on e-retailer website serve as contractual agreement, designed to legalize the whole transaction and guarantee protection of buyers and seller rights.

Return policies are an indication of convenience and assurance of quality to customer. E-retailer must develop return policies that are well communicated to customers; explain clearly the type of product accepted for return, duration permitted for return, shipping procedures and instructions, return form for shopper to state the reason(s) for return, and request for exchange or credit as the case may be. There are return policies that influence customer decision to shop online, the restriction includes customer inability to receive refund on credit card, short duration for product return, inability to exchange with products from other categories, and inability to return product to brick and mortar store. E-retailer must be moderate in stipulating conditions under which a customer can receive a full credit.

2.4.1. Lenient Policy

The growth in e-retailing immensely contributes to implementation of liberal return policies to gain customer trust, satisfaction and reduce customer perceived risk (Kumar and Chatterjee, 2011). E-retailing provides customers with opportunity of selecting from countless products that satisfy customer needs at a specific time and as well enjoy return policy. Completely free return

policies are assumed to motivate and encourage buyer to make repeated purchase from preferred e-retailer.

Liberal return policies are considered to have greater influence on customer's decision to continuously patronize e-retailer website. In contrary, lenient return policy has led to increase in customer dishonest behaviour of returning products. More than 50% of returned clothing products were fraudulent (King et al. 2007) and 12% of the returned products involve customer intent to deceive e-retailer (Zabriskie, 1973).

Liberal policies are connected to customer service program in gaining competitive market advantage and it encourages other e-retailers to implement thus. Maintaining flexible return policy has possible impact on company image and the policy must correspond to customer expectation. Return policy should respect customer as loyal and accord them respect that match the added value. When return policies subject customer to limitation, it could prompt a sense of unfaithfulness that e-retailer is not ready to fulfil the after sales promise. A clear and explicit return policy is necessary to increase sales and thus motivate customer's willingness to purchase.

Return policy must be clear, precise, explicit, and strategically place on the website where it can easily access. Liberal and clear return policies have influence on customer repeated purchase intention and recommendation, since customers are not opportune to examine the product physically before making purchase (Janda, et al., 2002). The free return policy indicate product quality, guarantee customer patronage (Xuanming, 2009), service efficiency and reduce customer perceive risk if offer.

Customer's friendly return policies constitute another reason for obtaining loyalty; the qualities of assistance offer after sales play a key role in satisfy customers. Return policy is crucial to resource allocation. Risk free return policies contribute to increase in profit, because it can create favourable after purchase product appraisal. Lenient return policy makes it possible for customer to resolve amicably negative experience caused by the product defects and facilitate easier return.

Free return policy increase the level of customers trust and reduce risk level of shopping online (Reverse logistics professional). The more liberal the return policies, the more and easier it is for customer to always return products. Liberal return policies make it easy for customer to return product for range of reasons (Bernon, et al., 2011). E-retailers are using liberal return policies because it provides several benefits; nevertheless, e-retailers have started implementing more restrictive return policies to curb dishonest and fraudulent return (Kim and Wansink, 2012).

2.4.2. Strict Policy

Prahinski and Kocabasoglu, 2005 indicate that vacuums in service quality are connected to retailers' recent shifts to more restraining return policies. The little variation in policies is presumed to broaden the gap among customer perception and expectation of service quality. E-retailers failure to realize customer perception on return policies and its impact on customer expectation has led to the introduction of restrictive return policies, which has accidentally extend the gap between customer expectation and managers perception of the expectation (Prahinski and Kocabasoglu, 2005). Rate of product return affect e-retailers bottom line and no e-retailer prefer recording large volume of customer return. Therefore, it is necessary for e-retailer to prepare in advance on how to receive the returned products as poorly designed return policies mostly drive away customers. The customer arbitrary abuse of liberal policies serve as driver for implementing stringent return policies that limit the range of product that could be return and conditions for the return.

The strict return policies have two side effects on e-retailer; the loss in customer strength and ability to control returned product cost. The return policies protect e-retailer from customer antics of placing order for product and afterward return it on flimsy excuse. Both e-retailer and customer are protecting their individual interest. Shoppers have to exhibit more care with their real order by assess, evaluate and be more familiar with the product conditions stated in the return policy before making final purchase via internet. E-retailers adopt certain restrictive return policies in reducing the extent of product return by charging restocking fee, shipping cost and

handling cost (Xuanming, 2009). In divergent opinion, return policy aid fraudulent product return.

Restrictive return policy may have positive effects on after purchase consumer behaviour than lenient return policy (Kim and Wansink, 2012). However, e-retailers that use restrictive return policies are scary of its negative outcome on shoppers. However, a restrictive return policy allows online shoppers to keep the product despite customer's ill feeling. Return policies affect consumer after-purchase evaluations when products performance fails to satisfy customer pre-purchase expectations. Product performances are hardly reversible under restrictive return policy compare to lenient return policy (Kim and Wansink, 2012). Strict return policy could adversely affect customer satisfaction, which tends to have strong implications on profitability.

2.5. RETURN HANDLING

Forward logistics moves from one point to several destinations, while reverse logistics is vice-versa. Reverse logistics handling must be handle separately. A separate department within the organization should be saddle with the responsibility of handling all issues related to product return in conjunction with other departments (finance, customer service, warehouse, marketing and production) in order to ensure successful implementation. Company return handling process should be able to address following questions; what type or class of the products were returned and received? What are the conditions of the product when returned and was it returned as originally purchased? Other departments as accounting, marketing and sales must be properly inform to perform records update when a product is returned by customer.

E-retailing involve significant level of risks (Petruzzi and Chhajed, 2005) and its reverse logistics need to be properly manage as an integral part of supply chain activity (Bernon, et al., 2011). Managerial aspects of reverse logistics are not the same as in outbound. Reverse logistics deserve special attention and firms should focus on innovative ways of handling reverse issue (Richey et al., 2005). Effective supply chain management can enhance customer value and reduce operating cost (Bernon, et al., 2011).

Product return collection and consolidation are critical steps in return handling, since it determine operation success and failure. Rogers et al., (2005) describes return management as the process by which activities associated with return, reverse logistics, gate keeping and avoidance are manage. The proper implementation of return process enables management to identify opportunities of reducing unwanted return and control reusable assets (Bernon, et al., 2011).

Rogers et al., (2002) suggest that e-retailer should not solely focus on return efficiency management, but being able to recognize the prospect of lessen undesirable product return and control reusable assets. With growth in online business activities e-retailer have to handle product return, environmental issue and cost of product disposal (Prahinski and Kocabasoglu, 2005). Product repair require little effort in putting it back to resalable or restock condition, while remanufacture undergo similar process of making completely new product.

A prominent process in reverse logistics is the assets recovery that is described as the process of recovering a sizeable amount of economic and environmental value from the product as possible which might reduce the extent of financial loss and related qualities waste. E-retailer assets recovery ability depends on the capability and effectiveness in handling recovery process to limit adverse impact of waste disposal on environment. Value recovery demands proper understanding of the product by the handling team, in an attempt to make quick decision on what and how to capture highest value from the product (Blackburn et al., 2004).

Smith, (2005) indicate that, with the identification e retailer can develop an effective mechanism in handling and rectify recurring problems. Therefore, reverse logistics should form major part of e-retailer business strategy; and if it could not be properly handle and manage, it should be outsource to third party that is specialized in reverse logistics handling (Smith, 2005). E-retailer should consider using third party reverse logistics providers that are commercially accessible.

The rate at which product were been returned should not be associated to defect and lower quality; therefore managerial attention and resource must be channelled on product quality improvement to reduce and control inflow of returned products. The expectation of any organization using Six Sigma is to witness trivial level of product return, but in contrary because of other reasons not consider relevant. Substantial numbers of firms believed that, if product quality is improve to the Six Sigma level, the level of product returned could drastically reduce and customer satisfaction increased (Reverse Logistics Management, 2012).

Management should prioritize product return process and make it an integral part of their supply chain management. Badly control return process with persistent increase in the rate of returned product might considerably eat away profits. Timely decision must be made on where the returned product should be onward immediately it is received from customer. Lack of uniformity in the physical condition of returned products has different effects on reverse logistics (Rogers and Tibben-Lembke, 2002). Unbroken or undamaged returned products are worthy of being restore into warehouse or online for onward sale. However, the product can be on discount sales at company bricks and mortar store.

Returned product receiving phase is considered as most hectic part in guarantee policy effectiveness. The process requires team training with suitable skills, knowledge, ability and attitude for product identification and handling; customer expectations more center on refund or exchange and are not aware of these rigorous activities.

Refund processes commence immediately the receipt of returned product is confirmed and its condition ascertained. When the returned product has been verified and cleared, the next action is to issue credit or exchange to the customer based on the company policy. These activities have to be carefully handled, it is consider as the primary section where customer expectation hinges on. The refund is made to the credit card used at the time of purchase, while the amount to be refund is the actual cost of the product and applicable taxes while the cost associated with return (pre-paid return fee) are occasionally paid by the customer. Immediately refund is paid to customer,

e-retailer has fulfilled fragment of customer after sales expectation, therefore e-retailer must fulfil its organizational need through value recovery.

A minimum of two weeks is generally demanded by e-retailers for the processing and two billing cycles for the credit to appear on customer credit card. If the product price remains the same as at when purchase, the customer can exchange the product for another product from the same section on condition that he or she is interested in exchange i.e. if the returned product is male cloth, the good can only be exchange with other male clothing and not with other section.

Refund making does not complete reverse logistics process; the company need to evaluate and determine the extent of value that could be reclaim from the product. Sometimes reclaim materials are combined with other materials to produce new product. However, in clothing industry, if the product did not loss much value in term of quality and price; it can be put back into store and ultimately charge to internet for sales.

E-retailer expects customers to use the pre-paid return label accompany by return and exchange form provided by e-retailer when returning the product, doing so can facilitate appropriate return process. A product purchased online that cannot be return to bricks and mortar upon delivery should be return through mail, courier, or any courier provider recognize by the firm. Nonetheless, certain e-retailer restrict their operation by allowing only products bought in store to be solely returned to outlet for refund or exchange as the case may be.

All products purchase online were accepted back to the company for exchange with exemption of underwear items. The refusal to accept tested underwear and swimwear products tied to hygiene related issues. The product delivered via regular mail can be return through the same process using the returned address label encompassed in the product package. Product deliver by courier cannot be return through regular mail; the customer has the privilege of calling the delivery courier for the product pick-up.

Customer has right to return product through preferred logistics courier that is different from delivery courier, but the action is at the customer risk. Returning product back to e-retailer is limited to a product that has been delivered to customer, while products on transit awaiting delivery are not accepted for return. The maximum period allowable for customer to return product is between fourteen to thirty days (14-30) depend on the company, after which the company can decline to accept the product(s) back.

Lack of physical contact and interaction with the product before purchase has effect on return intention (Mollenkopf et al., 2007). Physical separation of customer from inspecting the product before purchase poses threat to customer's decision-making (Smith, 2005). Return of product is inevitable in global business environment since fraudulent and deceitful return affect e-retailer profit margin; therefore, formidable policies must be in place to handle return related issues. Efficient and effective handling process should be a major constituent of customer service program. Improved security system has reduced the extent of customer online-perceive risk (Kim and Kim, 2004).

2.5.1. Benefits of effective product return handling

Effective return management could help retailer in reducing costs associated with returned products. Reverse logistics afford the e-retailer an opportunity to recapture value that would have been lost (Smith, 2005). Value recapturing involve further works; nonetheless, e-retailer can generate reasonable revenue from it than to become total waste. E-retailers must understand the importance of customer to reverse logistics success. Negative customer experience on return handling could adversely affect e-retailer corporate and brand image (Permenter, 2012). Shopper have significant influence on peers, therefore e-retailer should focus on them as critical node in the reverse logistics chain (Permenter, 2012).

With effective return handling, e-retailer can develop strategies that could position them in market better than competitor. Efficient products return handling likely to influence future purchase decision (Smith, 2005). Rogers and Tibben –Lembke (2001) report that several drivers facilitate inward product return. Stock et al., (2002) state that coherent return handling has the

capability of improving e-retailer and customer relationship. Return handling permit e-retailers to assess the effectiveness of its return instruction and determine further corrective measures. When customer failed to follow stipulated return instructions, it could cause delay in payment refund.

The return process handling has impact on company turn-around time, credit issuance, refund issuance, customer satisfaction and as well reflect on customer service programs. Effective return handling could enhance e-retailer and customer relationship. According to Mollenkopf et al., (2007) products return indicate prospect to recapture substantial proportion of value from the product, while refund policies serve as guarantee for customer repeated purchases.

Reverse logistics provide e-retailers with a privilege of distinguishing themselves from competitors, gain corporate image, and increase customer satisfaction. E-retailer that fails to utilize the potential benefits of reverse logistics is jeopardizing customer relationship and may seriously affect the company image and reputation (Smith, 2005). Return policy provide e-retailer with chance to obtain valuable information that would help in identify causes and pattern of customers reasons for returning product (Smith, 2005).

Through effective return handling, prompt refund processing, timely product delivery, quality service, and online customer account update, e-retailer can focus on strategic goal of value creation, increasing customer satisfaction and loyalty (Mollenkopf et al., 2007). It is a fact that customer return experience could influence after sales service and other service perceptions. The more serious e-retailer handle issues of product return, likewise, increase in e-retailer success is guaranteed (Mollenkopf et al., 2007).

2.5.2. Effect of Process delay on firms and customers

However, the returned products represent valuable asset to the company but significant values are lost in the reverse supply chain. The huge lost in value is due to delay in processing return, therefore e-retailer should be strategic in using time as mechanism to design reverse supply chain toward asset recovery (Joseph D. Blackburn et al., 2004). Keeping returned product in warehouse longer before embarking on value recapturing attract degree of risks, that includes

diminishing in product value, lost in economic value as much as 10-20%, fire, theft, and capital tie down. Therefore, e-retailer should be proactive and respond to product inspection and disposition as early as possible. Reasonable value is obtainable from returned product, though it has significant impact on value of goods already sold. Online Fashion retailers mostly face constraints ranging from refund processing delay, product obsolescence, impatient customer complaint handling, and how to recover reasonable value.

E-retailer should focus on maintaining long-term relationship with their customer with the aim of ensuring quick product delivery and easier return handling (Smith, 2005). E-retailer should often evaluate their reverse logistics program to determine its functionality. More than 45% of returned products value are lost in the supply chain due delay in process (Kumar and Chatterjee, 2011); therefore, a proficient reverse supply chain must be channel towards processing return at overall lower cost and in judicious manner.

Trivial knowledge on the impact and benefits of reverse logistics allows firms to regarded returned products as waste than alternative source of revenue. Returned products are assets because sizeable value can be recover, although much of these values are lost due to managerial sensitivity and attentiveness to forward logistics. The attention given to reverse logistics before the products could be remanufacture is far less to the time spent on forward logistics. The longer it takes to recapture value the lesser the possibility of economically viable of reusing the product.

Receiving and processing returned product is an enormous task. Most of the customer has failed to adhere to instructions on how product can be return given by e-retailer (Reverse logistics professional). Encouraging timely product return and making appropriate decision on possible value recapture can facilitate e-retailer ability of capturing reasonable value from the products before it turns to be without value. Fashion industries mostly classify returned product as lower product that results into loss in value, timely process is relevant in value recapturing since significant volume of clothing product out of fashion as time pass-by.

2.6. CUSTOMER EXPECTATION FROM RETURN POLICY

Customers are expected to contribute to the improvement of buyer and seller relationship, with more expectation on eloquent customer service. Clear and informative return policy is crucial to e-retailer and customers relationship (Yoo et al., 2010); this could increase consumers' perceived value. Online shoppers are expecting fast and effective transaction processing (Srinivasan et al., 2002). Return policy serve as mandatory contract term between customer and e-retailer. Online customers are also expecting liberal return policy that functions as insurance against unsatisfactory experience. Among customer expectation are acceptable quality products and delivery with the same condition as when shop at bricks and mortar store (Kolsaker and Payne, 2002).

E-retailer must understand the worth of customer on business growth and brand image, especially in an era of effective social media usage. Unsatisfactory customer can communicate his or her shopping experiences to colleagues and influence their purchase intention; therefore, e-retailer should focus on customer as critical path to reverse logistics success.

However, customer expectation varies due to imbalance in what constitute satisfaction. Most customers are expecting availability of appropriate product quality information, timely product delivery, privacy protection, assurance on financial issues, and data security for shopping online. E-retailers should be more proactive in responding to shoppers email inquiry, order confirmation and provide up-to-date information on their website. Online customers lack the privilege of selecting and package the product; therefore, a liberal return policy can contribute to securing and guaranteeing their loyalty.

E-retailers and customers have different expectation from reverse logistics. The e-retailer is more concern on capturing reasonable value in time, while customer is willing to receive refund or exchange within a shortest period. Reverse logistics operation performed accurately and faster could help in fulfilling certain customer expectations.

Maslow hierarchy of needs explained that individual consumer needs are insatiable. The current needs that motivates and satisfy customer may become demotivating factor next time, due to change in expectation (Naumann, 1995). Online retailers that endlessly offer acceptable value can enjoy customer commitment and patronage as reward. Customers serve as catalyst of growth for firms that delivers expected customer value. A satisfactory customer program can assist e-retailer in evaluating its performance. The use of performance measurement is a strategic action that could provide organization with picture on their current condition and possible opportunity for improvement (Elmas and Erdoğan, 2011).

There are attributes that encourage internet shopping which includes, time, money saving, convenience, interactivity, easy accessibility, availability of product information, website design, and various after sales services. It is worth mention that there are no limits to what facilitate or influence customer to shop online (Kim and Kim, 2004).

There are factors considered important that affect customer satisfaction, including availability of different product brands, tracking possibility, ability to create personal account and shopping cart, and opportunity for return and exchange. Online customers are expecting more stock from which they can easily select when returning goods for exchange and without restriction to a product class. Moreover, online shoppers occasionally prefer discount in purchase price to exchange, especially when the product is slightly defected. In contrary, qualitycentric customer that genuinely need the product can opt for exchange than refund, while others would prefer refund if exchange could not be guarantee.

E-retailers and customers have different roles to play in the management of returned product process. Customer is the risk taker when purchasing products that cannot be physically inspect because of trust and confidence they have in the e-retailer. Online customer must ensure strictly compliance with e-retailer return policies to avoid mistake(s) that could negatively mar the reverse process.

Timely refund processing and payment according to customer expectation; immediately it is completed, e-retailer must as well satisfy corporate needs by recapturing value from returned products without wasting much time (Reverse logistics professional).

2.6.1. Cancellation, refund and exchange

Customer or e-retailer can initiate product cancellation, depend on circumstances that warrant the cancellation. Shopper should effect cancellation before products are ship for delivery, once the product is shipped return and exchange policy take effect. Retailer cancellation can be because of non-availability of specify order and lack of plan for restock. In addition, pricing error at the time of sales, and credit card payment declination by the financial institution can cause retailer cancellation. If the ordered product is out of stock that make fulfillment of customer request impossible, the company must notify the buyer in immediately and make necessary refund within reasonable time.

Fourteen days is giving to customer to effect product return or cancellation whenever goods are purchase online. Refunds of payment are done within thirty days (30) through the same method of payment used by the customer. Online customer could access his or her account status for update on exact amount refunded through individual account created on e-retailer website.

Customers are expecting chance to exchange product earlier purchased with another without restriction to a product category. However, most e-retailer permits customers to exchange their product with other product of the same category, but customer expectation is to exchange the product with another product that is entirely different from the returned product. Meanwhile, customers in bricks and mortar have the benefits of returning unwanted product back to e-retailer, online customer are expecting the privilege of returning their product to e-retailer store for timely exchange.

2.6.2. Communication

E-retailers have failed to realize the effectiveness and impact of communication on buyers. There is need for functional communication with shopper, especially when returned products are received and refund made (ASOS, Zalando and H&M). Keeping customer inform through active interaction could upturn their commitment and loyalty level.

Reverse logistics is not homogeneous subject, but an umbrella term that encompasses numbers of different operational contexts. Reverse logistics has the capability of assisting e-retailer in fixing quality-associated problems through information collected on returned product, which can be used by production department (Tibben-Lembke, 2002). Two ways communication and effective feedback channel has the ability to positively impact on reverse logistics success. E-retailer should not consider return handling and decision making as sole function of a department within the organization other departments must be involved.

Internet allows e-retailer to offer interactive platform that facilitate shopper to evaluate products directly via internet (Chen et al., 2010). Internet interactivity is considered as effective mechanism for understanding customer purchase intention. Interactivity between e-retailer and customer support development of higher level of trust (Chen et al., 2010). E-retailer must improve communication level with shopper before and after purchase, owing to its effect in increasing customer loyalty and promote customer recognition as strategic partner in achieving organizational success (Mollenkopf et al., 2007).

Internet is a communication tool that enhances e-retailer entry into global market (Kim and Kim, 2004). Detailed process for authorizing product return makes it easier to identify fraudulent return. Efficient interaction can influence e-satisfaction, enhance customer and e-retailer relationship, sustain loyalty, and increase future purchases (Kim and Kim, 2004). Effective communication between is an important mechanism that contribute to business success (Yoo et al., 2010). Active communication enables e-consumer to realize how e-retailer value communication (Yoo et al., 2010). Smith, (2005) consider communication as facilitator of e-retailer and shoppers relationship commitment.

Face to face interaction between exist in brick and mortar stores, however shopper find it difficult to get prompt response from e-retailer compare to stores. Online retailer faces more challenges in connecting with e-customer, however effective interaction can increase perception, produce customer satisfaction and retention (Yoo et al., 2010). Interaction between e-retailer and shopper performs critical role in increasing perceived customer value, consumer decision making, and relationship level and trust with final impact on customer retention and loyalty (Yoo et al., 2010).

Interactivity is crucial in establishing trust between e-retailer and customer, lack of interactivity makes it impossible to institute long-term trust. Two-way communication promotes customer expectation about the reliability of future behaviour and actions (Kolsaker and Payne, 2002). Effective and functional two-way communication is among the drivers for achieving customer satisfaction, it also promote timely feedback and response. The more positive online customer perceived e-retailer website interactivity, the greater the levels of trust attach to the website information (Merrilees and Fry, 2003). Interaction with e-retailer is important but customer focus is on product delivery and possibility to unrestricted return.

Reverse logistics depend on mutual loyalty that exist between e-retailer and its numerous customers. Cross-functional communication process about return information between departments is crucial to return management. Well-designed collaboration among departments can positively contribute to achieving anticipated cost reduction and help in designing method that guarantee favourable return policies influences on customer service.

Cooperation among departments on information sharing is essential to supply chain improvement. The lack of integration among departments contributes to reverse logistics process failure (Bernon, et al., 2011; Permenter, 2012); therefore, there is need for better coordination, information sharing and alignment of objectives. Lack of internal communication among departments could deprive e-retailer an opportunity to work in partnership with outsiders. E-retailers should be able to evaluate and understand their reverse logistics costs before they

establishing a program for reducing overall expenses and its impact on customer service (Permenter, 2012).

The increase in rate at which product is return negatively affects e-retailer revenue stream (Elmas and Erdoğan, 2011). Therefore, e-retailer should change its focus from product quality to other critical areas. The information provided by shopper in product return form, should be used to analyse itemize problems irrespective of the reason(s) for the return. The information must be timely process so that value can be recover in due time.

Management of product return with customer feedback serves as measure for improving product quality and reduces future return level. The customer feedback could contribute in understanding potential benefits of well- managed reverse logistics. Prompt analysis of the feedback can also increase e-retailer understanding on reasons that led to certain product return and channel out possible technique of preventing reoccurrence.

E-retailer website is a suitable tool for disseminating return policies information and e-retailer expectations from buyers. Apart from website information, a modest feedback form and return labels are useful. The importance of return labels is to accelerate the matching of returned product with earlier purchase information to help the company in improving its customer service programs.

2.6.3. Trust

Trust is fundamental in e-retailing environment, since the extent of risk involved is among the reasons that prevent a number of e-consumer from transacting with e-retailer. Trust is the level upon which e-retailer promises can be rely upon without capitalizing on customer weakness (Kolsaker and Payne, 2002). Currall and Judge (1995) define trust as an individual reliance on another party under condition of dependence and risk.

Trust is also defined as aspect of business relationship that determine the magnitude at which parties accepts that they can count on the integrity of the promised offered by other parties (Kolsaker and Payne, 2002). Trust is the willingness to assume risk. Morgan and Hunt (1994) defined trust as an antecedent to commitment, being motivation to stay within the relationship, and an important element of relationship marketing.

Trust is a crucial factor in e-retailer and customer relationship management. It enhances coordination and encourages future transaction. The presence of trust enhances and contributes to protection of customer satisfaction and loyalty. Trust has a positive influence on customer perception (Sally, 2006) and online shopping behavioural intention, it creates well -valued exchange relationships (Morgan and Hunt, 1994).

Trust work as guarantee in building robust relationship with shopper. It also contributes to e-commerce success (Kolsaker and Payne, 2002). Building trust ensures customer data security, privacy protection, unbiased and complete product information, competitive price, reliable delivery, and satisfaction guarantee (Merrilees and Fry, 2003). Trust is complex because the intent and motive of other parties cannot be ascertained. Moreover, internet transaction requires sufficient customer trust before it can function. According to Reichheld and Schefter, (2000), e-retailer must recognize and maintain trust as an important factor in customer retention.

A purchase decisions are made before making final purchase (Li and Zhang, 2002). Increase customer trust lessens apparent risk related to internet shopping and generates positive attitudes to buying from e-retailer (Li and Zhang, 2002). E-retailer must concentrate on maintaining and sustaining customer trust in order to achieve total loyalty, since trust influences customer commitment and loyalty (Luarn and Lin, 2003).

Distrust exists within supply chains; buyers usually return product to register existence of product return. Therefore, there is need for effective integration and collaboration that consist of trust and commitment of all players within supply chain. This imperative factor possibly can contribute to successful reverse logistics implementation and ensure timely response to

customers return request. Distrust is not only connected to lack of trust, but continuous anticipation that other parties in the agreement will act in contrary way that breach one's safety and security. Online shoppers with higher level of distrust resolve to exhibit fear over misuse of personal information in online environment. However, the extent of distrust prevents shopper to disclosure of personal sensitive information. Consumer commitment and loyalty might not be achievable in an environment that lack trust. Perceive internet risks deter shopper from shopping via internet. However, if trust can be guaranteed, substantial percentage of customer can be motivated to shop online (Merrilees and Fry, 2003).

Customers feedback have leeway of reducing risk and encourage online transaction trust (Sally, 2006). Communication is germane to online retailing success, yet it receives insignificant attention. It has a prospect of influencing the establishment of long -term relationship (Merrilees and Fry, 2003).

2.7. SATISFACTION AND LOYALTY

Developing and managing customer loyalty has a role to play on firm long-term existence. Fulfilment of customer services has a significant effect on e-retailer corporate image; thereby contribute to customer satisfaction that has the potential ability to generate loyalty.

2.7.1. Satisfaction

Satisfaction is after consumption evaluation of expected product value and actual value derived after consumption (Yoo et al., 2010). Online shopping is project to account for approximately 66 Billion dollars sales in United States alone by the end of 2010 (Weisman, 2001). There is noteworthy growth in the number of internet users; nonetheless, the growth does not commensurate with the number of people buying from internet (Janda, et al, 2002).

Customer satisfaction in online environment cannot be predetermined, ever since satisfaction occurs in every stages of transaction and when customer expectations are fulfilled, it can influence their respective attitude and future shopping intention (Li and Zhang, 2002). After delivery, satisfaction has a greater influence on customer satisfaction and intention to return product. Increase in customer retention generates increase in profitability when operating in competitive markets. Online consumer behaviour differs from bricks and mortar customer behaviours (Jiang and Rosenbloom, 2005).

Researchers indicate that, satisfaction of customer impact on market gaining and future purchases (Nasir, 2004). Growth in customer value may possibly yield significant level of retention, but only segment of customers are 100% percent loyal and dedicated to uninterrupted patronage (Naumann, 1995). Higher level of satisfaction is capable of leading to high customer loyalty. Customer satisfaction information is a useful measure for e-retailer in obtaining desire information on how to serve customer better in future. High- level satisfaction has a tendency of producing high customer loyalty, while product return intention has a behavioural element. Satisfaction is a crucial factor that influences customer patronage (Jiang and Rosenbloom, 2005).

Customer satisfaction alone is inadequate in achieving targeted loyalty; therefore, e-retailer should develop effective relationship with customer to learn about their respective future expectations and needs (Naumann, 1995). Providing online and offline after sale services constitute new activity in e- retailing value chain. Satisfaction is an after consumption review grounded on the disparity amid the expected value before and after product consumption (Oliver, 1981).

When e-shopper bought goods through internet, the customer is trying to satisfy specific need(s). However, if the product unsuccessful satisfies the need(s) and necessitates being return, the action occasionally affects the fulfillment of the desire needs. Satisfactions of consumer affect e-retailer retention ability; though, customer satisfactions are link to countless opinions as price, convenience, liberal return policy.

Intention to return product not only relate to dissatisfaction on product quality, however customer decisions are merely on personal judgment without formidable reason(s). Satisfaction is considered as the product of after purchase customer experience and fulfillment of needs. Quality satisfaction guarantees customer loyalty, while website information quality facilitates effective shopping that secure commitment.

Satisfaction is an important factor that sways customer-purchasing decision. Online customer satisfaction has direct influences on future intention to purchase, complaint, and product usage. When e-retailer product can be assessed then customer can easily evaluate the product quality against others services and website quality (Luarn and Lin, 2003). However, product quality yields customer satisfaction. Nevertheless, additional pre and post-sales services offer by e-retailer could increase customer loyalty level.

Additional benefits deliver by e-retailer also win customer attention. There is necessity for evaluating customer behaviour whenever they shop online compare to outlets. Customer retention is more challenging in online environment compare to customer attraction in bricks and mortar (Luarn and Lin, 2003). An operational customer complaints management should to be develop, rather than waiting for customer to lodge complaint that might be consider responsive in approach (Naumann, 1995). Significant level of customer complaints was link to poor customer services. However, e-retailer with good customer service is considered to be more profitable, since it can create strong customer loyalty (Janda et al., 2002).

Online consumers are face with notable challenges when shopping online; this includes non-availability of human-to-human interaction, fear on personal data and information security, difficulty in navigating through e-retailer website (Janda et al., 2002). E-retailer that provides unsatisfactory value to customer could fade and be swept off by competitor. Whereas e-retailer that offers appreciable value can grow and become successful because online customers compare the value of services and product offered in making purchase decision (Naumann, 1995).

E-retailer should manage integrated value networks with the inclusion of customers, suppliers and other necessary partners (supply chain) (Jiang and Rosenbloom, 2005). Customer integration

into e-retailer customer supports is essential in attaining loyalty. Provision of interactive platform as online chat and helpline through e-retailer website for the purpose of product inquiry and obtaining necessary information could contribute in reducing the rate at which products are return.

E-retailer that wishes to obtain undiminished customers loyalty must realize how customer measure return experience (Mollenkopf et al., 2007). Online-retailer is require to get accustom to customer shopping attitude, behaviour, and shopping experience that are regarded as important to individual customer. Online shoppers prioritize service quality in selecting e-retailer and e-retailer that offer satisfactory customer service has the ability of benefiting from customer loyalty. Any service(s) promised and fulfilled serve as vital device in e-retailer's strategic weapon. The fulfillment of the promise does not only increase customer satisfaction, but it positively influences customer loyalty and e-retailer profitability (Mollenkopf et al., 2007).

Since customer service has the ability of contributing to the increase in customer loyalty, there should be further flexibility on how product can be return. Online buyers should have the opportunity of exchanging product(s) bought online at any bricks and mortar operate by the company upon presentation of purchase invoice and other necessary documents, in addition satisfy stipulated return policy conditions. For e-retailer not to be too liberal, the exchange can be restricted to the class or type of product initially purchased. Given out gift inform of compensation or shopping credit for future purchase could serve as motivating strategy in tackling return problems linked with late product delivery. This strategy may possibly help in acquire back customer satisfaction, loyalty and increase the existing relationship.

According to Bernon, et al., (2011), product quality has significant effect on reverse logistics operations and effective gate keeping. If the product quality is below expected standard, there may not be a need for sending the product back to e-retailer due to excessive cost of transporting and storage of scrap. E-retailer that wishes to retain customer should understand and develop strategies that focus on consumer attitudes and behaviours toward re-purchasing (Lodorfos, et al., 2006). Customer attitudes on past shopping experience had significantly increased individual

intention to repurchase online (Lodorfos et al., 2006). Attitude is costless and requires skills in capturing customer interest and attention.

When customers have the opportunity to return product at the store or outlet, they should be accord with respect and courtesy with impressive customer service without embarrassment. Most of e-customers are not fairly giving attention by bricks and mortar workers whenever they return some of product(s) purchased via internet. The store workers should give customers necessary attention, attend to their complaint, and be helpful, polite in their interaction, and able to resolve the problem by making the customer a happier one. Communication and attitude influence customer perception and position them as strategic partners.

The factors that determining consumer purchasing decision is dynamic and individual customer embrace e-retailing with different expectations (Lodorfos et al., 2006). Online customer behaviours include recognition of needs, internet products information search, evaluation and comparison of prices and products, choosing most appealing e-retailer, and making final purchase. E-retailers accept returned products in order not to lose customer and able to grab other benefits accompanying online trade reverse logistics. Satisfactory product delivery has a stronger influence on overall customer satisfaction and intention to return. Loyal customers spend more, patronize retailer frequently, and motivated to search for more product information (Jiang and Rosenbloom, 2005). Value recovery strategies provide e-retailers with fundamental reason on why sound and mutual relationship with customer should exist. Value recovery is necessary in an environment where there is limited physical contact or lack of interaction between e-retailer and its numerous customers.

2.7.2. Loyalty

According to Luarn and Lin (2003), loyalty is the intention of a consumer to repurchase products or services through a particular e-service vendor. In modern business domain, e-retailer must be strategic, customer center, and innovative than reactive and proactive in policies implementation.

Appreciated customer value might yields customer loyalty and retention that is needed by any e-retailer to obtain considerable market share and reduce cost.

E-retailer must put in place programs and services that may perhaps have positive impact on customer. An e-retailer that wants to benefits from customer loyalty must understand online shopping drivers owing to their impact on profitability (Srinivasan et al., 2002). Customer loyalty has influence on e-retailer bottom line, and fulfilled customer services could contribute to satisfaction that might yield desire loyalty. The fulfilled customer services have possibility of affecting e-retailer's image and business growth

With increasing competition in e-retailing, the ability to build a viral loyalty in e-consumer should be seen as important element in acquire market share (Luarn and Lin, 2003). A loyal customer may well be committed to e-retailer grounded on his or her decision about the tangible value enjoyed. According to Luarn and Lin (2003), trust, customer satisfaction, value produced, and commitment are individual concepts that come together to produce loyalty.

Customer satisfaction, trust, perceived value, and attitudinal commitment are position as important factors of e-customer loyalty. The more a customer trusts an e-retailer, the more positively it affects the relationship and increase customer loyalty. Customer loyalty is an agent of growth in any business, therefore e-retailer must be ready to delight customer by providing exceptional services, quality goods, and establish good working relationship.

Commitment has momentous role to play in maintaining the relationship of customer satisfaction and perceived value to loyalty. Attracting and retention of existing customer cannot be acquired on platter of gold (Harris and Goode, 2004; Tsai et al., 2006) the cost of retaining existing customers is lesser than the cost of acquiring new ones (Prahinski and Kocabasoglu, 2005). Customer commitment to an e-retailer is expedite by constraint or desire. The qualities of service render to customer normally function as determinant of e-retailers success (Harris and Goode (2004); increase in satisfaction level stimulate and increase loyalty (Chiou, 2004).

Furthermore, the apparent service quality of online retailer considerably affects customer satisfaction while satisfaction is an emotional response to the observed service quality.

Trusts, customer satisfaction, recognize value and commitment are individual constructs that combine to determine customer loyalty. Commitment exerts stronger influences than other factors (Luarn and Lin, 2003), however, customer satisfaction and identify value indirectly related to loyalty through commitment.

2.7.3. Customer Loyalty Program

Customer loyalty acquisition is important to e-retailer success, it is easier to manage and keep existing customer than gaining new ones. Customer loyalty program developed for frequent buyers is a different tool in building long-term customer loyalty and increases retention level. Loyalty program goal should focus on long-term objectives and benefits than immediate gratification in sustaining e-retailer and customer relationship. Successful loyalty program can hasten the frequency of customer visit, increase volume of purchases and strengthen connection (Noel and Ryan, 2008).

Dowling and Uncles, (1997) assert that, customer loyalty programs seek three outcomes: enhance overall value proposition of the product or service, motivate buyers in making future purchases, and support other aspects of e-retailer offensive and defensive marketing strategies.

The most promising customer loyalty commence when e-retailer copiously understands customer before and after purchase expected value, ensure customer awareness of the program and its potential benefits, and able to design the program sustainability. E-retailer must evaluate customer purchase histories and seek direct information on expected value. Customer opinion on the kinds of reward they actually want can be pull together directly by using electronic or print survey, suggestion box, email, and social media.

Loyalty program must value and appreciate by customer before it could have desire effect on targeted loyalty. Effectiveness of loyalty programs can best appreciate when customer is aware and understand the contents. In addition, its practicality should not be a financial burden on e-retailer. When determining loyalty programs implementation, it is advisable for e-retailer to evaluate customer worth on the business activities. Encouraging customer to purchase a single product is not the main goal of most e-retailer, but entices them in making repeated purchase. Furthermore, loyalty programs must be built on the fact that keeping an existing customer is less expensive than acquiring new ones. Building a robust relationship with customer may well create long-term bond that ought to contribute to loyalty acquisition.

Articulate loyalty programs have tendency to encourage consumer in patronizing e-retailer frequently and spend more. However, any customer whose loyalty is gain through loyalty program may possibly continue to patronize the e-retailing firm as long as the incentives are enjoyable.

There are several approaches been use by e-retailers to win customer loyalty, while giving financial reward and discount to customer is consider as buying customer loyalty. The use loyalty programs includes discount award to frequent buyers, gift card, subsidize shipping cost, membership coupon, purchase point award, and additional free product after purchasing specific number of products. For example, frequent customers that purchase a minimum of eight items will receive the ninth product as free.

The loyalty program is to offer financial incentive inform of cash, discount and free items to customer. E-retailers are always in quest of new methods to generate more income and increase customer repurchases. The use of loyalty program for frequent buyers functions as advocate for customer retention. Nevertheless, the loyalty program must be carefully design and implement so that it does not act contrary to the motive of setting it up.

Customer shopping experience must be satisfactory, especially when e-retailer website allow customer to easily navigate and find essential information about e-retailer and the products. This

might contribute to customer intention of returning to shop with the designated e-retailer. Prompt product delivery has its impact on customer future purchases capability. The quicker it takes customer to receive purchased product, the more likely increase in future purchases.

As earlier mentioned, e-retailers can implement different loyalty programs to win customer loyalty; most important factor is to recognize the program that may perhaps serve as motivating driver to online shoppers. Customer membership status conveys noteworthy weight and importance. The status creates opportunity for superiority feeling among customers. In addition, it provides competitive opportunity for other consumers to strive. Reasonable number of fashion retailers lean in the direction of implementing loyalty programs through a store credit card. Loyalty cards qualify customer to enjoy extra discounts, because of the value of money spent with the e-retailer over a specific period. The intention behind issuance of loyalty card is to encourage customer to coming back and purchase product from the e-retailer all time to enjoy continuous discount.

The program is not just successful after implementation; there are notable factors that contribute to its success. Communication of specific, unambiguous and consistency of the loyalty program to customer; monitoring and managing customer shopping histories; e-retailer ability to identify, differentiate and evaluate customer shopping habit; e-retailer knowledge and understanding of best and practicable program that might yield best business result. The loyalty program should be an integral part and extension of business and not a mere offering.

The result of a well - designed loyalty programs are many, a number of the benefits are list below:

- It allows e-retailer to analyse and differentiate between frequent customer and single transaction customer.
- It provides opportunity to analyse each customer buying trends and improve on services and products that customer as expecting.
- It enables e-retailer commitment to offering excellence and quality products and services.
- It lets e-retailer to extend its operational and strategic business approaches.

- The loyalty program has a positive effect on customer retention and loyalty.
- It contributes to increase in the number of customer share gained from the market.
- The loyalty program gives e-retailer an opportunity to keep customer shopping behaviours record.
- The program allow customer to acquire shopping bonuses that can be redeem for products later.
- It has economic benefit of trapping customer money within the system.

Despite having its advantages, the customer loyalty programs come with its disadvantages.

- The e-retailer profit margin may not be sufficient to handle the magnitude.
- All customers are delight equally without considering their individual financial impact on e-retailers bottom line.
- Some of the predetermined loyalty programs failed to motivate customer for future purchases.

Apart from customer loyalty program, there are factors that are favour as customer loyalty facilitator. The website design, service fulfillment, and efficient product delivery are considered to prompt customer return to e-retailer for continuous purchases.

2.8. EUROPEAN UNION REGULATION ON CUSTOMER RIGHTS

EU Consumer policy in the past left certain consumers badly protected which adversely affect their willingness to shop online. E- Shoppers and e-retailers are interested in distance buying and selling but are incapacitated due to differences in state laws and consumer protection (EU Directives, 2011). Generally, product can be purchase from EU countries through internet, but some countries forbid the transaction. This makes it difficult to shop online in this country due to legislation and restricted caption (not available for residence of). The harmonized laws will help in increasing e-retailing sales compare to what is being witness currently. Significant percentage of e-retailers may possibly expand their cross-border transaction and be more willing to sell

products in most part of EU states with the approval of harmonized law. The harmonized EU law has the potential increase cross border sales, provide shoppers with opportunity of buying goods from other countries than own country, since it reduces legal barriers affecting cross border retailing and promote uniform return policies among e-retailers (Andreia-Roxana, 2012).

The harmonized EU consumer policy stipulates that customer credit or debit card could only be charge for the actual product cost instead of the usual practice of charging additional hidden charges that were unknown before purchases (EU Directives, 2011). The law also allow online buyer to be acquainted with the actual product cost before accepting the final price. The law further protect customer from future predetermined hidden cost, which is consider as mode of cheating and ripping customer off. Online shoppers are protect from paying charges or other costs if they are not adequately inform before completing the order (EU Directives, 2011). In case of an unauthorized payment, the customer has the right to obtain an immediate refund of the total amount involved (Code of EU Online, 2012). The exact and final product price inclusive other additional charges must well communicated to customers before completing the order. Furthermore, the charges for using customer service helplines will not be on premium rate anymore; since e-retailer has guarantee availability of technical support services.

Currently the 27 nations that make up European Union enjoy 7 days ultimatum to inform retailer about their intention to return the product purchased online and bricks and mortar (Enright, 2011). The harmonized law extend the duration to 14 days (Enright, 2011), this provide customer with more time to make return decision (Enright, 2011). The withdrawal period shall begin from the day when the consumer signs the order form or in cases where the order form is not on paper, when the consumer receives a copy of the order form on another durable medium. It simply means that consumer can return the goods for any reason if they change their minds. The cancellation period commence from the moment customer receives the product, rather than at the time of completing the purchase (EU Directives, 2011). The consumer shall have a period of fourteen days to withdraw from a distance or off-premises contract, without giving any reason.

Presently, e-retailers have 30 days to provide a refund; however, the harmonized law reduced it to 14 days with effect from the date of notice of cancellation (European Commission Memo, 2011). The refund must include delivery cost. However, the law affect e-retailer duration for return handling process, returned products inspection and increase refund processing time (European Commission Memo, 2011). Any firm that obliges to the new refund duration could win customer loyalty to it side. E-retail must fully refund buyer if the product worth exceed Forty Euros without charging delivery cost and refund be effect within 14days after buyer withdrawal (Enright, 2011).

The harmonized law requires the e-retailer to state clearly, if they want customer to pay the cost of returning products, which must be communicate to customer prior to completion of the transaction (European Commission Memo, 2011). The e-retailer shall only bear the cost of returning the goods unless the trader has agreed to bear the cost or the retailer failed to inform the consumer before that the buyer has to bear the cost (EU Directive, 2011). The customers are protects against the risk of loss or damage until they are actually in possession of the goods. If the consumer want the customer to bear the cost of returning products after changing of mind, this has to be clearly stated beforehand, otherwise the e-retailer have to pay for the return (Enright, 2011). The harmonized law requires e-retailer to pay for return shipping for all purchases value at 40 Euros and above (Enright, 2011).

Even though EU law protects buyer from financial loss in an online environment, the e-retailer is also protected against financial loss arising from return of customized product. Customer shall no longer have right to return customer-specified or personalized products once the specification conditions are fulfil and product send for delivery. Significant percentage of buyers experience disappointment for not receives their goods in time, therefore e-retailer should be able to overcome product delivery hurdle. The harmonized law compel buyer to cancel the transaction, if the goods are not deliver in time, this might make e-retailer liable for any defects or loss that arises during the delivery.

The harmonized European Union legislation on data protection aim in ensuring that customer receives value that commensurate with the information given (EU Directives, 2011). However, customer intentions to share personal data and information hinge on the trust level that exists between e-retailer and customer. The harmonized law protects customer from cross border discrimination that they are expose to by some e-retailers (Andreia-Roxana, 2012). The law compels e-retailer not to abuse customer data and privacy information that the information be solely use for customer intended purpose, since the provision of the information is on trust. Data protection is fundamental right and it is enshrined in the Lisbon Treaty (EU Directives, 2011).

Many European nations have their separate laws on consumer right, return policies and refund. However, the harmonized law would create specific e-commerce standardization. Online buyers could significantly appreciate more transparent and market that is rich of information when making purchase online. For withdrawal to be effective, buyer must prove that product return is made within stipulated period and convey necessary message to seller, because the entire transaction is grounded on trust. The law requires firms to allow shoppers a fortnight from receiving goods to claim a refund on their purchases. The new law may well strengthen consumer protection products, boost customer confidence and trust when returning unwanted since it covers all aspect of purchase made through shop and internet.

Lack of awareness on consumer rights and protections prevent buyers from exercising their right of lodging complaint. The law encourages displeased customers to lodge complain, as this could assist in tackling recognize customer and e-retailer conflicts. EU has enforce a common law that guarantees that e-retailers must respect common rules, standards and make sure that consumer is protect from severe risks and threats that cannot be independently handle. European Union harmonized law on consumer rights protection permits buyers to get familiar to their rights and protections as recognized by law when transacting via internet. Online customers that are conversant with e-retailer customer service programs and harmonized customer right law is capable to determine e-retailer level of compliant. E-retailer compliance to stipulated EU law governing e-retailing can also increase the trust level. An e-retailer that has higher level of compliance could receive customer loyalty as reward.

The harmonized law requires e-retailer to sell goods to customer from any EU country and bear the cost of product return. The harmonized laws also strengthen online shoppers when making final purchases from selected e-retailer. Customer were given more time to cancel or change purchase decision, however, e-retailer is compelled to refund buyer within a shortest period. Before the harmonization, customers have 7 days notification period for notifying e-retailer on his or her intention to return the product.

The customers under the harmonized law have 14 calendar days to change their minds and effect product return for any reason as they deem fit (European Commission Memo, 2011). The 14 days period begin from the time the consumer receives the product and not at the conclusion of the transaction, as is currently the case. In addition, when e-retailer fail to inform customer clearly about their withdrawal right, the return period shall extended to a year (European Commission Memo, 2011). The buyer knows the reason for the change in purchasing decision.

Currently the e-retailer issue refund to e-retailer within 30 days, however the harmonized law requires e-retailer to issue refund within 14 days. The legislation will deprive e-retailer the opportunity to have enough time inspect the returned products (Enright, 2011). E-retailer must refund consumer for the returned product within 14 days of the withdrawal inclusive cost of delivery. E-retailer will bear the risk for any damage or defect to products during transportation, until the consumer takes possession of the products (European Commission Memo, 2011).

Product exchange accessibility for faulty products is considered to have greater impact on customer loyalty. Though, limited number of e-retailer do not agree to product exchange; nevertheless the law allow customer to seek for repair or replacement when the product is faulty at time of delivery or the product failed to conform to order specification. E-retailers could offer customers unrestricted exchange rights, but are unconvinced on the sincerity of majority of customer request. Customer can request for repair or exchange free of charge if the good is faulty or failed to correspond to what they have ordered. The retailer is compelled to repair or replace the good within a reasonable time and with limited inconvenience to the consumer. However, if

the retailer failed to repair or replace the product within a reasonable time, the buyer may opt for a refund or a price reduction (Code of EU Online Right, 2012). The e-retailer will bear the risk for any damage to goods during transportation until the customer takes the possession of the goods (European Commission Memo, 2011). Any consumer in the EU must receive goods or services ordered online within 30 days, unless agreed between the parties. If product is not delivered within the specify time, the buyer has the right to be reimbursed (Code of EU Online Right, 2012). The harmonized laws on online transactions withdrawal or cancellation enable shoppers to have identical treatment as enjoy by bricks and mortar customer. The treatment could further increase customer perceived value and commitment that might in turn positively influence on loyalty.

2.9. CONCEPTUAL FRAMEWORK

The conceptual framework is developed around Srinivasan et al., 2002; Mosahab et al., 2010 Bloemer et al., 1998; and Caruana, 2002 assumption that service quality and satisfaction can influence customer loyalty in the direction of e-retailer to generate repeated purchase. Customer satisfaction is considered as link between customers recognize quality and loyalty (Mosahab et al., 2010). Bloemer et al., (1998) indicate how service quality and customer satisfaction influence customer loyalty. Caruana, (2002) concluded that customer satisfaction plays an intermediary role in the effect of service quality on service loyalty. Mosahab et al., 2010 use the conceptual model to back up their claim.

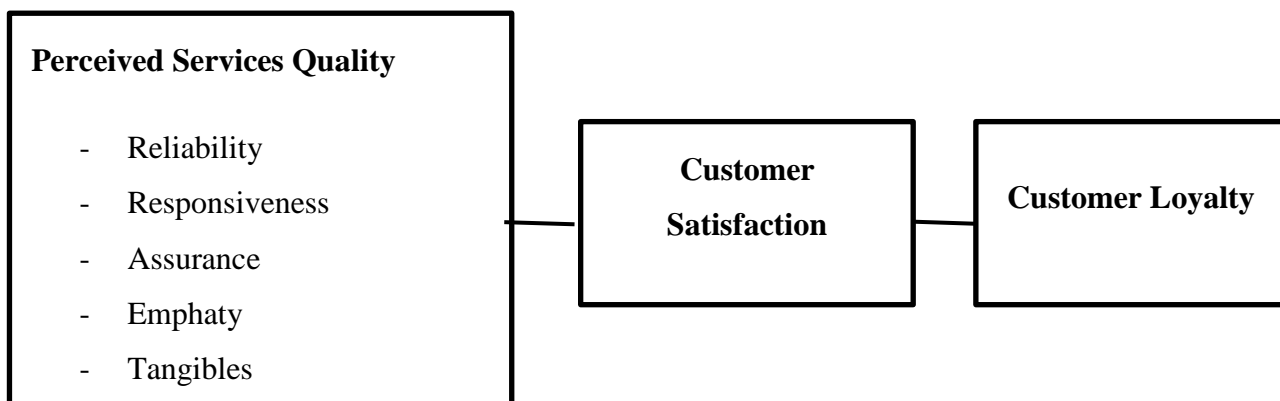


Figure 1 Mosahab et al., 2010 Conceptual Model

Mosahab et al., 2010 developed hypothesis from the above mentioned model

- Perceived service quality is positively associated with customer satisfaction
- Perceived service quality is positively associated with customer loyalty
- Customer satisfaction is positively associated with customer loyalty
- Customer satisfaction mediates the relationship between perceived service quality and customer loyalty

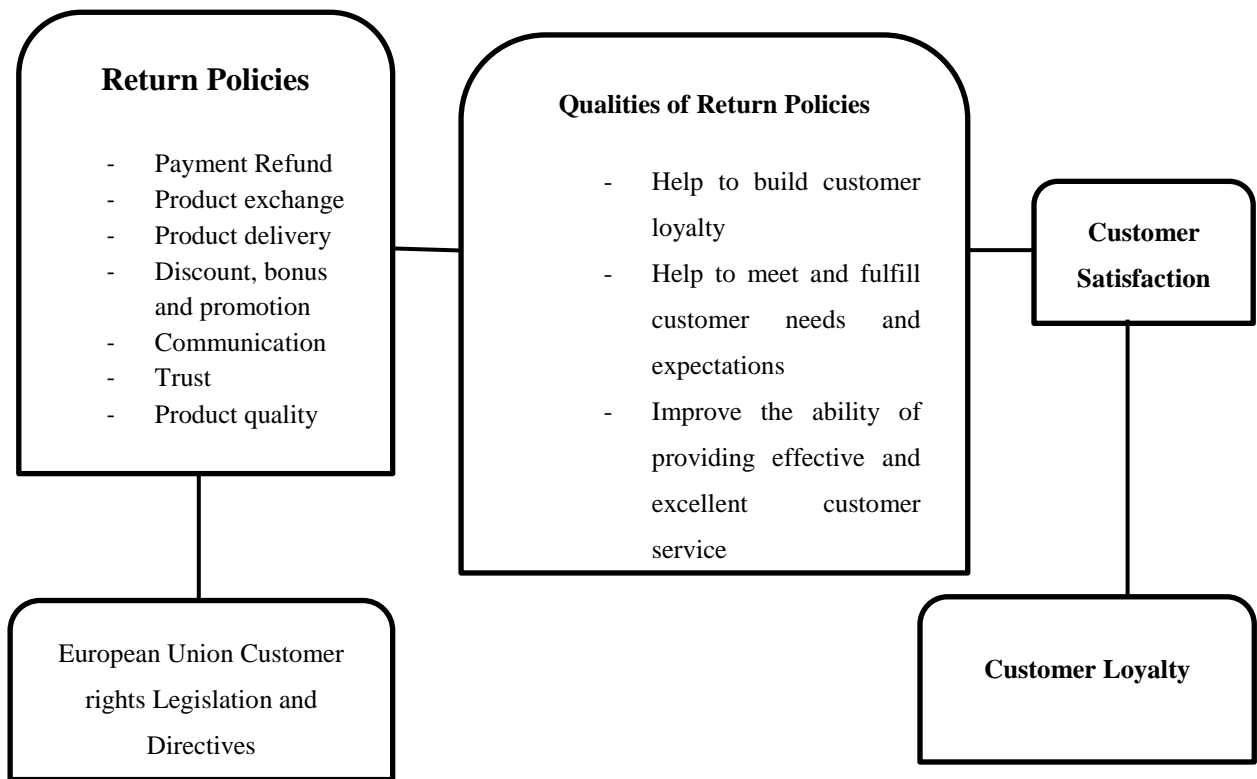


Figure 2 Conceptual Frameworks (Based on Srinivasan et al., 2002; Mosahab et al., 2010 Bloemer et al., 1998; Caruana, 2002)

The customer return policies have prospect of yielding customer satisfaction, change online shopping attitude and behaviour, and loyalty when fully implemented. However, other factors

could influence customer loyalty acquisition as presented in the framework. Several issues were mentioned in the literatures reviewed, but the current thesis focus on return policies as the methods of generating customer loyalty. The reasons for focusing on return policies as a tool in obtaining customer loyalty center on limited research and seeming customer expectation from online environment.

3. METHODOLOGY

The information used in this study were assembled from literature reviews on selected published academic articles, research websites, online books, academic journals, books from library archive, and e-retailers website. The selected articles focused on e-retailing environment, e-customer behaviour, e-retailer return policies, and European Union consumer rights protection policy. The selection of the research works was to study the impact of return policies in achieving customer loyalty in online retailing environment.

3.1. Information Collection

3.1.1. Literature Review

The research topic has been chosen on the established gap that bothers on the use of return policies as catalyst of achieving customer loyalty in online environment. After careful consideration on the research topic, many information sources were consulted in assembling needed and relevant facts. The materials found on the internet and other sources helped in smoothing the study process. The materials are of great value especially when literatures reviews are carry out with availability and accessibility to needed information with less or no cost involved.

Literatures and earlier research related to the formulated research questions were extensively searched and studied. The relevant literatures were used to come up with factors that could have possible effects on customer satisfaction, loyalty, future patronage and behaviour. The selected articles concentrates on e-retailing environment, e-customer behaviour, e-retailers return policies, harmonized European Union legislation on consumer protection policy, and European Union directive on consumer protection policy. Out of the Sixty-five selected (65) articles, fifteen (15) were published before year 2000, while fifty (50) articles were published after year 2000. The articles were drawn from the International Journal of Service Industry Management, the Journal

of Retailing, the Journal of Business Research and Journal of Service Research. Information on return policies practicalities were gathered from websites of analysed case companies that transact within European Union States. Information on online rights guiding e-retailing conduct within EU states was obtained from European Commission 2012 publication and EU directive on harmonized Customer protection rights.

3.1.2. Empirical study

Qualitative researchers typically rely on four methods for gathering information: participating in the setting, observing directly, interviewing in depth, and analysing documents and material culture (Marshall and Rossman, 2006). In arriving on the suitable data collection for the current study, the practicality, efficiency, feasibility, and ethical methods for collecting the data were considered. Qualitative research requires robust data collection techniques, document analysis has served mostly as a compliment to other research methods, it has also been used as a stand - alone method (Bowen G, 2009).

Document analysis is a systematic procedure for reviewing or appraising documents both in printed and electronic material. Like other analytical methods in qualitative document analysis requires that data be examined and interpreted to elicit meaning, gain understanding, and develop empirical knowledge (Corbin and Strauss, 2008). Documents that may be used for systematic evaluation as part of a research work take variety of forms. These include background papers, books, journal, organisational reports, academic papers, and relevant website information.

Documents can provide data in the context within which the researcher operate (Bowen G, 2009). Information contained in the document can suggest some questions that need to ask and situation that need to be observe as part of the research. Documents provide supplementary research data. In addition, it can be analyze as a way to verify findings or corroborate evidence from information on contextual factors (Bowen G, 2009) of return policies.

Documents analysis has its advantages and limitations in relation to other qualitative research methods. Documents analysis is less time consuming, therefore it is more efficient than other research techniques (Bowen G, 2009). Several documents are in public domain, especially since the dawn of the internet, and are accessible with or without the author's permission. Furthermore, document analysis are unaffected by the research process. The method is less costly compared to other research methods and is often the method of choice when collection of new data is not practice.

When different approaches are employed in gathering information; the reliability, relevance and validity of the information are consider. For any information to be valid, the information must be reliable and able to provide desired result. Information validity establishes the extent to which the assembled information are relevant and its accuracy on the conclusion being drawn. The reliability of information may perhaps enhance the consistence of obtained information. Information relevance ensures that, the information is useful and connected to the current research work. The validity and reliability of gathered information is instrumental for supporting the research findings. The success of the current research work depends on the validity, relevance, and reliability of the information and how it was gathered. Therefore, the validity and reliability of the current work is reflects in the method used to gather the information and the quality of information used in analyzing and providing solution to the research question. The consistency of the information in achieving the result justifies the validity and reliability of the work.

Five e-retailing firms and their websites were select as an object for the current study. Alternatives methods for collecting information like interview and survey was primarily considered suitable for the research work. The case Companies' website information on return policies was used as our primary data, since it is exact information that is given to their customers; this revealed that the information can be relied on to achieve desire results. Data collection is an enormous and time-consuming, gathering relevant information for the current work lasted more than five months.

Measurement scales were developed based on data collected through review of articles, books, journals, EU consumer protection policies, and e-retailers return policies information that are significant and relevant to the study focus. Detailed value level was developed for the measurement scales to be used in the empirical study and the gathered information was analysed using ordinal scaling measurement. Unified measuring scales were carefully designed to analyse the return policies, in order to determine the possibility of using the policies in keeping and securing customer loyalty. Furthermore, value is assigned to each case companies scale items to identify similarity and dissimilarity in their respective customer service program, and likely factors that could help in securing customer loyalty. The data analyses indicate that the selected scaling measurement can highlight differences in e-retailers return policies and indicate policies that have the potential of achieving customer loyalty.

The data collected from the websites is categorized into three as intolerable, acceptable, and excellent service levels. The excellent service is positioned to be the best service level that e-retailer can offer to secure the market share and acquire customer loyalty, while the acceptable level is considered as service level that guarantee e-retailer reasonable customer loyalty and intolerable level is the service level that is considered demotivating and lack the wheel of securing customer loyalty and retention.

The differences and similarities in the return policies implemented by the case companies' were further described and analysed and the research findings were presented. Finally, the findings were compared with well-known scholar's findings in the literatures and conclusions were drawn based on the study. A conceptual framework was developed to formulate the research question in detail, that customer is loyal when his or her attitudes in the direction of e-retailer generate repeated purchasing behaviour. Furthermore, that return policies have the prospect of yielding customer satisfaction and affect online shopping attitude, behaviour and loyalty.

3.2. Quantitative and Qualitative methods of research

In significant number of research papers, combinations of research methodologies are used to gather comprehensive facts on the research topic. The quantitative method is mostly used in research to give accurate, concise and verifiable expression to qualitative concepts. Whereas qualitative methods are used to interpret and understand the conclusions generated by quantitative methods.

Quantitative research and qualitative research are used in studying people's opinions, feelings, experiences or behaviours (Davies, 2007). Qualitative research is informal, precise and consistent through authentication; it develops theories and patterns for more understanding. Kotler (2003) describe qualitative research as exploratory research used to reveal consumers motivation, intention, attitude and behaviour.

Therefore, a qualitative method of research is preferred, as appropriate method to interpret information and data collected from reviewed articles and e-retailer websites. In qualitative research, the authenticity and trustworthiness of the information assembled are defined by its relevance, reliability, conciseness and validity.

Summary of the differences between qualitative research and quantitative research are outline in table 2.

Table 2: Qualitative versus quantitative research (Elliot; Neill; Johnson et al., 2008)

Quantitative Research	Qualitative Research
The main goal is to determine the causes and effect relationship	The main goal is to describe the continuing processes
Independent variable can be controlled and manipulated	It is concern with the study of natural phenomenon without meddling.

The researchers specify research design before commencement of the work.	The research design can be develop throughout the study
Reliance on data gathering tools to control procedural bias	Rely on researcher intuitive.
Quantitative Research	Qualitative Research
Phenomena are well simplified for the research	The phenomena are fully researched
It uses statistical analysis in controlling threat to internal validity	It uses logical analyses to support alternative explanations
The samples used in the research work are generally selected to represent the population	A single cases are studied or sample to be studied are decisively selected
Data are always represented and summarized in numeric form	Data are always in verbal form.
Hypothesis are formulated before the commencement of the research work	Hypotheses are formulated during the research work
Objective collection of data is necessary and required	Objectivity of data collection is not a requirement
Statistical and logical methods are used to determine the reliability and validity	Several sources of information are used to determine reliability and validity
Behavioural study is done in natural or artificial setting	Behavioural study is predominantly done in natural setting
Structured techniques	Unstructured or semi- structured techniques

3.3. CASE COMPANIES

To be able to gain wider knowledge on the research issue there is need to look at some well-known companies operating e- retailing in order to gain opportunity in analyzing real world problems of which one is able to observe and evaluate. The e-retailing companies' were chose because of their wider business network and customer coverage, with notion that their pre and post customer service program especially return polices can be helpful in achieving the study objective. The case companies return policies is capable of shedding more light on differences in return policies as been implemented within e-commerce environment, and their possible impact in influencing customer loyalty. The companies also have large patronage and geographical spread across Europe that makes it possible to analyze and evaluate their conformity to EU Law on consumer rights. With the use of recognized retailer, the researcher could be able to gain insight into the heart and mind of the customer through the return policies. The information from each of the analyzed companies serves as major information contributing to the whole research work.

3.3.1. ASOS (<http://www.asos.com/?r=2>)

ASOS is a public company established in June 2000 by Nick Robertson and Quentin Griffiths. The firm has over 2000 employees and is the largest independent online and fashion beauty retailer in United Kingdom. The company was registered in London stock exchange in 2001. ASOS group revenue stood at £494, 957 million and profit after tax was £22,279 million in 2012. The company currently conveyed its products to over 190 countries exclusive of UK, USA, France, Germany, Spain, Italy and Australia.

ASOS through its own label and third party brands offer over 50,000 products comprising women's wear, footwear, accessories, jewellery and beauty. Over 17, 5 million customers visit the company website as at 31 March 2012. On the other hand, approximately 8 million new customers registered as users, while active site user's record hit 4, 4 million from 160 countries (ASOS Annual report, 2012). The company adopts smooth return process as key tool for customer's retention. Barriers that restrict customers are removed and outbound shipping process

was significantly improved (ASOS Annual report, 2012) to signify commitment to customer satisfaction.

ASOS obeys United Kingdom distance selling regulations that gives customer the right to cancel order for any item purchased and obtain full refund. For order cancellation, the company requests their customer to quote product order number and send a writing cancellation notification to the customer care service within seven (7) days. However, if the product purchased has been process and send to customer, the customer is oblige to return the product when designated courier delivers it. Nevertheless, full refund will be paid, if, the customer cancelled the order within the seven (7) days cooling off period.

The company accepts return of all products on situation that, the products are in suitable condition within fourteen (14) days of receipt. Customer is permit to return product if not satisfied upon delivery. However, returning products in their original package is not compulsory for most of the products apart from underwear dress that must be return in its original pack because of hygiene. The company will adhere to full refund depend on the fact that the product is not defect when received. The risk on the product is with the customer until ASOS finally received the product back, therefore, customers are ask to send the product through a courier to guarantee its safety and prompt delivery.

United Kingdom customers are offers free return, whereas other customer paid for their return. ASOS offers United Kingdom customers four possibilities to make their return. The customer can return through collection service, Royal Mail Freepost, Collect + service, and ByBox service. Customers have the liberty to use own preferred courier if none of the offered methods is suitable. UK customer that use other courier service that is different from the one provides by the company shall be solely responsible for postage costs. Free delivery worldwide for international standard delivery between six – fifteen (6-15) days due to distance or delivery address, while shipping cost are charge for product shipped by international express and product are deliver between three – seven (3-7) days.

The company permit customer to return any product for payment refund or make exchange request for a different colour or size within 28 days of receipt. However, the customer must include the details of product to be exchange in the return form that accomplish the product package. ASOS pledge to refund customer with the actual price paid for the product on condition that; underwear, swimwear and other fashion product marked with (+) next to the product name are not removed from its original package for hygiene reasons. Customer undertakes all risks associated with returning product until the product is finally receive by the designated department. ASOS is not responsible for any product return to them by mistake.

Ensuring that customer is kept satisfied, ASOS communicate with customer through e-mail to inform them on the returned receipt and its condition upon receipt. Then refund is pay through original payment method used by the customer. The refund exercise typically takes approximately five (5) working days for UK customers and 5-10 days for international customers depending on the bank or credit card provider. The company clearly states that, only refund of money on order product would be refund excluding delivery charges. The only condition when delivery charge can be refund is when customer order was cancel under distance selling regulation or the whole order was defected or different from order made.

Table 3: Analysis of ASOS returns policies

Return policies attributes	ASOS
Products allowed for returned	All items can be return for refund or exchange (UK customers). Any items marked with (+) should be in its original pack due to hygiene.
Duration allowed for return	The company allow customer to exercise return right within 28 days of receiving original order.
Amount to refund	The company will refund the price paid for the product excluding delivery charges.
Shipping cost of returned product	Returns are free for UK customers, while other customers have to bear the cost of retuning the product.
Product delivery duration	ASOS have two delivery options for their customers. Standard International delivery (free) takes approximately 6-15 days. International express is approximate to 3-7 days at specific rates.

Return policies attributes	ASOS
Method of returning product	UK customer, have three choices when returning items; Through collection center, New collect + service, and customer personal arrangement with preferred courier. International customer can return their parcel using any postal service. All returned products do not need to be in the original packaging but should be in suitable condition.
Product return Communication	ASOS will send confirmation of return receipt to customer through email as soon as returned product is received.
Refund processing duration	Payment refund will be issue to card used by customer to place the order within 5 working days for UK customers and 5-10 days for others.
Product Cancellation	Customers have seven working days to cancel the order. Customer must send a written confirmation of cancellation quoting the order number. The seven working days starts from the day after the customer receive order confirmation. Customer will to pay the cost of returning the products to the e-retailer.
Product Exchange	If customers want product replacement with another product of different size or colour, a new good must be order.

3.3.2. ZALANDO (<http://www.zalando.fi/>)

Zalando is European leading online shoes and fashion retailer. The company was founded in 2008 by Robert Gentz and David Schneider with headquarter in Berlin, Germany. The firm started has specialist in shoes selling before adding cloths and other fashion products to its business portfolio. Zalando is currently operating in fourteen (14) European countries with Finland inclusive in 2012.

Zalando is purely an e-retailing firm with growth intention. The growth intention has placed the company as First European company to generate annual revenue that worth more than €1, 15 Billion within four years of business operations in 2012. Zalando is the largest online shoe store in Germany and commences its operation abroad in 2009. Zalando trades in women, men and

children products and offers products from over 500 different brands names. The company is privately own and has about 5000 employees. Another growth engine has been the extension of Zalando core offer to include clothing and household accessories along with own label and designer brands. Clothing and other fashion accessories already accounts for more than half of the company annual revenues. In 2012, Zalando introduced liberal return policies as part of business strategies that generate high average return rate of fifty (50) percent. Product cancellation is giving attention by itemizing acceptable methods for both parties (e-retailer and customer).

Zalando demand customers for writing return notification within 30 days of product delivery, likewise refund should be effect within 30 days of order cancellation. There are stipulated conditions that permit Zalando to accept product return. However, the product should be return in its original condition as when purchased. Return of product must be within thirty days of purchase, even though the company pays shipping and return cost. The permissible 30 days commence upon the receipt of product by customer in conformity with customer service.

Right to return product is only allowed for unused product and other saleable products that is returned in original package. Exemption is given to shoe products that must be used to determine its suitability and fitness. Testing the product is not considered as worn when the tested product is not damaged. However, Zalando shall refuse product repair, replacement and refund when the product is carelessly handle and got damaged during testing. Furthermore, when the returned product is tested without following prescribe instructions; the customer shall be liable for carriage cost and other expenses related.

Online customer is more concerned on whose responsibility is the payment of shipping and return cost. Zalando makes all products returns free for its customers by paying the delivery and return cost. Zalando product return processes is made easier through personal account created on the company website, customers need to only follow the seven prescribe steps. Customers enjoy free product return when they use the return messages that can be print through customer account. Zalando request that customers to contact the company through email or free customer support

hotline, when customer encounter difficulties in using the return steps. This opportunity contributes to safe and comfortable online shopping experience. Zalando product exchange opportunity is by placing order for new product, as well return previously ordered product. Yet, replacement of previously bought good must be through the company website. Customer refund shall be process, paid immediately the company confirms that the product has been return, and received in good condition within forty-eight hours (48 hours).

Table 4: Analysis of ZALANDO returns policies

Return policies attributes	Zalando
Products allowed for returned	Customer can return any unworn items for any reason. Exemption: Articles worn purely to see whether they fit are not considered worn Customer can place a new order, safely knowing that the customer can return his or her original order free of charge for a full refund.
Duration allowed for return	Zalando allow 30 days free return policy
Amount to refund	The company pledged full payment refund
Shipping cost of returned product	Shipping cost of returned products are free.
Product delivery duration	Zalando shipping is always free. Customer product delivery will take 4-10 working days. Zalando customer can track their delivery status online with tracking code.
Method of returning product	Zalando does not offer store return. Therefore, unwanted product must be return through the same method of delivery. The product should be return in saleable condition and in original packaging.
Product return Communication	The e-retailer require customer to communicate notice of product return to the company The risks belong to the customer until e-retailer receives the product.
Refund processing duration	Zalando promised to refund within 48 hours after receiving customer parcel.
Product Cancellation	Not applicable
Product Exchange	The company does not offer exchanges, only refunds.

3.3.3. ZARA (<http://www.zara.com/fi/>)

Amancio Ortega Gaona founds Zara in 1975 as Spanish clothing and accessories retailer who commence cloths retailing in 1963. Zara has over 1751 stores worldwide with revenue of over 7,071 Billion Euro in 2009. The company design, manufacture and distribute its product, which differentiate the company from other retailers in clothing industry. Fifty (50) percent of Zara products are manufacture in Spain, while the remaining 50% are produce in other European, Asian and African countries.

Zara is the biggest and best internationalize retailer among the eight retailing firms own by Inditex. Zara is therefore held as Inditex growth driver as a result of its record of sales and profit. Inditex is a global retailer that manufactures, design, and sells footwear, men, women and children fashions and accessories. Zara owned ninety (90) percent of its stores, while ten (10) percent is joint venture and franchise. Sixty (60) percent of Zara manufacturing processes is outsource in countries that are closer to the company headquarter. Larger numbers of the company products are designed by the company two hundred (200) creative team comprising designers, specialist, and product development personnel.

Zara through its creative team manufacture and design sensitive fashion products within the company territory. Among the eights retailing firms (Zara, Pull and Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara home, and Uterque) that were owned by Inditex, Zara is the largest and functions in not less than 507 stores around the world as at 2001. Zara commence online stores operation in 16 European countries in 2010 and extends its online operations to United State and Japan in 2011. Zara has recorded growth in number of its stores to 6000 worldwide in 2012 which indicate the company acceptance. Ranjitha Balla, (2012), Zara success can be attributes to flow of product design information that the company exchange with customers. These approaches help to give shapes to the company numerous ideas and able identify customer tastes.

Zara products can be return at bricks and mortar store as long as the store is located in the same country where the purchase is made. The bricks and mortar store must have the same product category to which the returned products belong. The returned product must be in good condition as when delivered with necessary documentation (invoice) to proof the purchase and date the transaction was made. Zara did not accept return or exchange of underwear items. The company product can be return through mail post, bricks and mortar store, delivery courier and home pick service. The e-retailer will verify customer transaction details after receiving product return intent information and send courier to pick the package within twenty-four (24) hours.

Zara allow customer to return product within thirty (30) days from the date of purchase, any product returned after the permissible time shall be rejected. Customers are allowed to return products free of charge within the stipulated time. Immediately the returned product is verified and condition accepted, then refund is made through the same method used to make original purchase within few days.

Zara makes e-retailing services available in some European countries with exclusion of Finland. Customer has the right to cancel order within 7 days and receive full refund for the amount paid. Customer cancellation right is subjected to fact that the product is returned in the same condition as when delivered. Zara endeavour to fulfil product delivery within 15 days of order confirmation, except there is incidence of delay for instance customization of product, unforeseen circumstances, and problem with delivery address that will be communicate with customer.

Customer is permitted to return product to Zara store in person; when the store is located in the country where the product is delivered. A product returned in person must be accompanied with complete return form, more so the store must have the same product section (women, men, and kids) as the returned product. Customer refund will be process within 30 days after receiving notice of cancellation to the same payment method used by the customer. Zara limit product exchange right to same product of different size and colour. In a situation where delivery product failed to conform to order specification, customers are request to contact Zara immediately

through web form with extensive information on the product defect. Zara aimed to process refund or replacement within 30 days of confirmation. A defective product shall be fully refunded with delivery charges and other reasonable costs incurred by the customer.

Table 5: Analysis of ZARA returns policies

Return policies attributes	Zara
Products allowed for returned	Zara request customers to return goods that are not to customer liking. (Does not have online retailing for Finland customers)
Duration allowed for return	The e-retailer gives customer 30 days for product return after receipt.
Amount to refund	Zara offer full payment refund
Shipping cost of returned product	Return is free for all customer
Product delivery duration	Zara endeavour to deliver customer order within 15 days of order confirmation.
Method of returning product	Zara requests customers to return unwanted products through postage or to store, if available in receiving country. Preferably, the product should be return through the same method of delivery and returned in saleable condition in their original packaging.
Product return Communication	Customer cancellation or replacement can be communicated to the e-retailer through e-retailer web form.
Refund processing duration	The company process refund within 30 days after goods receipt. Defected Product is refund in full, including a refund of the delivery charges for sending the item to you and the cost incurred by customer in returning the item.
Product Cancellation	Customers have the rights to cancel order within 7 working days
Product Exchange	The e-retailer does not offer exchange for online purchases.

3.3.4. DRESS-FOR-LESS (<http://www.dress-for-less.com/tmpl/home.tmpl>)

Dress-for-less is purely an e-retailing firm with head office in Germany and transacts in sixty-one (61) countries across the globe. The company reward customers that invite friends with 15

Euro whenever the referral makes his or her first purchase. The company pledge same day shipping for any orders made before 18:30 CET between Monday and Friday. Dress-for-less value customer communication thereby request for immediate information on condition of goods damaged in transit when received within the first 2 days. The firm is liable and responsible for all damage(s) to the products during transportation.

Customer that is not satisfied with the product for any reason(s) is allowed to send the product back to the company within fourteen (14) days of receipt. The product(s) must be sent back to the company in good conditions that make it marketable. Customers are encouraged to follow the instructions on return form enclosed in the product package to have a smooth return process. When the returned package arrive the company warehouse, customer will receive e-mail confirmation to the effect. Processing of returned product usually take 2-3 weeks from the day of receipt.

Customers are not allowed to exchange product with another product type, they can only exchange the product with another product of the same category in different size or colour. The customer can order the desire product in another size through the return form in the original package. Although, customers are allowed to test the product fitness, but the product should not be return with signs of excess use that may lead to reduction in the amount to be refunded. Shoppers are advice to test the product under hygienic condition especially underwear products. Customers from Germany and Austria are let-off from paying charges for all good returned; while customers from other countries of the world bears the return cost themselves.

Only defect products are fully refund with delivery charges and other related expenses incur by the customer. The company makes refund payment to the original paying method used by the customer in making purchase. Refunds are generally process within three to five (3-5) weeks after the goods are received into the company. However, payment refund can take up to one to two (1-2) weeks before it can reflect in customer credit card or other method used. There is two class of delivery method, normal and express. The normal delivery cost 9.90 €, with average

delivery time of four to nine (4-9) working days. However, the express delivery cost 48.90€ and it takes only one working day for transaction made before 5:30pm Central European time (CET).

Table 6: Analysis of DRESS FOR LESS returns policies

Return policies attributes	Dress for less
Products allowed for returned	Any product that is unpleasant to customer is accepted as return.
Duration allowed for return	Customers have the right to send the products back to the company within 14 days of receipt.
Amount to refund	The e-retailer promised to refund only the purchase price of the product that is not defect. However, full refund for defect cloths will be pay to customer.
Shipping cost of returned product	With the exception of order from Germany and Austria, the company requests other customers to bear the shipping cost of returned.
Product delivery duration	The company have two delivery option: Normal delivery period is approximate to 4-9 working days, with delivery cost of 9, 90 Euro. Express delivery takes approximately one working day, which cost 48, 90 Euro.
Method of returning product	The company does not accept store return. The product must be return through the same delivery method. In addition, the returned product must be in saleable condition and in original packaging. The company stipulate that returned product that show signs of usage in excess of testing may lead to reduction in the refund given
Product return Communication	Communication is not necessary.
Refund processing duration	Dress-for-less will issue refund to the card used by customer to place the order. Refund process takes 3-5 days after receiving goods; however, it sometimes takes between 1 to 2 weeks to make refund.
Product Cancellation	No cancellation information on the company website
Product Exchange	Dress-for-less allow customer to exchange product with a different size and colour of the same type. Exchange with entire different product in another product type is not possible. The desire new product can be order in another size via the return paper in the parcel.

3.3.5. H&M (<http://www.hm.com/fi/>)

In 1947, H&M opens its first bricks and mortar store in Sweden as women's wear store. Currently, the company offers varieties of fashion brands names as H&M, COS, Monki, Weekday, Cheap Monday, Others stories and H&M Home. The company open the first store outside Scandinavia at London in 1976. H&M has about 2800 stores that spreads across 49 markets with over 104, 000 workers; however, Germany is the company largest market among the 49 markets. H&M operates both bricks and mortar store and online retailing. The company major products are for men, women, teens, children and plus-sized women. In 2010, an incentive programme of 4,040,404 H&M shares valued approximately 1 billion SEK was introduced for all employees to encourage long-term relationship, commitment and support any future recruitment. In 2012, the company revenue stood at 120,799 million SEK, operating profit 21,754 million SEK, and 16,867 million SEK as the profit for the year.

H&M target annual stores growth of 10-15 percent yearly with a plan of 350 new stores in 2013. The company focus is not only on stores expansion, but continuous investing within online sales. The firm is planning to launch its e-retailing business in United State that is functions as the world largest e-commerce market. According to H&M annual report 2012, the company recognized distance selling as vital growing complement to stores. The company do not own products manufacturing factories, but the products are manufactured by approximately 800 independents suppliers through the company local production offices in Asia and Europe. H&M has different return policies for United Kingdom customers and other European Union Countries when shopping online.

Finland Customer

Finland customers were giving 14 days to decide on cancelling the transaction or determining the product suitability. Customers have the sole right to cancel and get full refund within the period provided the products are in good condition and not used. Returning product is free so far, the customers have the pre-paid shipping label that is included in the product package. The refund shall be paid to the customer paying method used when he or she purchased the product. Any of

the company product(s) purchased online in Finland cannot be exchange or return to store, despite operating bricks and mortar in Finland.

United Kingdom Customer

United Kingdom customers are giving 28 days right in deciding to either keep the product or cancel the transaction. H&M offer customer an exchange and refund right for unfitting and defective products within 30 days. Customer refund is also process within 30 days after confirmation of goods receipt. Product purchased online can be exchange at any H&M stores; the customer has to present the delivery note. In order to reduce cash outflow and tactically compel customer to continue shopping with the company, a merchandize return card is authorize to be issued for all products bought online and return to store, however the card is only valid in store. The company policy is to refund customer through the same method used for payment, unless the customer request for merchandize credit. H&M allow UK customer to change the product with another product of the same category for different size or colour without charging extra delivery cost. Faulty products can be return at any H&M store for full refund.

Table 7: Analysis of H&M returns policies

Return policies attributes	H&M
Products allowed for returned	All products are allow for return especially if the customer wants the same garment in another size or colour, no extra charge for delivery.
Duration allowed for return	H&M offer 14 days for Finland customer. However, UK Customer can return items up to 28 days after receiving package.
Amount to refund	The company also pledge full payment refund (Faulty products can be returned for full refund)
Shipping cost of returned product	Return is free for customer irrespective of geographical location
Product delivery duration	H&M promised product delivery within 4-6 days of receiving customer order. Sometimes, it may take longer period due to customer geographical location. Shipping costs are 5.20 Euro package size and weight, while 2.80 Euro is charge as additional for purchase made on cash on delivery mail service.

Return policies attributes	H&M
Method of returning product	Returning product to store is not available for Finland customers, while UK customers have the opportunity. H&M ask customer to return the product through the same delivery methods or free pick arrangement. Return in saleable condition and in original packaging.
Product return Communication	The company did not emphasize on communicating product return. The risk belongs to the customer until e-retailer received the product.
Refund processing duration	The company offer 30 days after receipt as refund processing time.
Product Cancellation	Customers have a “cooling off” period of seven working days which begin the day after confirmation of customer order. Customer must cancel product according to the policy to receive a full refund, including delivery costs (UK).
Product Exchange	If exchanging for a similar garment in a different size or colour, no additional delivery charges will be charge (for UK customers. Customer online purchases can be exchanged at any H&M store (UK customer alone) not applicable to Finland customer.

3.3.6. Summary of E-retailers returns policies

After careful analysis of the e-retailing companies’ return policies, there is need to summarize the policies based on the guiding attributes. The summary presents concise and explicit information about the return policies.

Products allowed for return

Condition for determining the type of product allowed for return among the e-retailing companies’ is similar to each other. 80 % of the companies’ request their customer to return unwanted product in saleable condition and in their original package with exemption of tested under wears due to hygiene. H&M and ASOS provide United Kingdom customers with certain privilege compare to what they offer other customers residence outside United Kingdom despite

shopping from the same retailer. H&M and Zara store did not offer online retailing service for Finland customers, despite operating bricks and mortar stores in Finland, this prevent Finland customers from benefiting online shopping.

Duration allowed for return

Considering the possible effect that allowed duration for returning product might have on e-customers. The e-retailing companies have different duration for different customers. One of the companies considers customer geographical location in determining the allowable period for customer to have their product returned. It is worth mentioning that, there is need for equality in term of customer service irrespective of place of residence.

Shipping cost of returned product

Shipping cost of returned product is considered as important aspect of return policies in improving customer satisfaction with potential of increasing loyalty. 60 % of the companies' charges no fee for returning unwanted product, while 40% of the companies' give privilege to customer residing in certain countries to enjoy free return and others bear the return fee. Customers from UK, Germany, and Australia are opportune to return product free while other customers have to pay for return postage. The preferential treatment may be considered as unhealthy towards customer retention because it did not promote equity. E-retailer that is growth and customer oriented must tend towards promoting fairness among customer irrespective of geographical location.

Method of returning product

Opportunity to return unwanted products through hitch free method is considered to have impact on customer. Most of the companies permit their customers to return the unwanted product to store if available in receiving country. Majorly, customers are requested to return the product through the same method of delivery. However, H&M did not allow store return for Finland

customer whereas the company operates store in Finland. The action limits Finland customers' online benefits.

Product return communication

Communication of returned product between customer and e-retailer has the potential of increasing trust and retention level between the parties. 60% of the companies consider it necessary as part of customer service, while 40 % do not consider lay emphasis on communication. Communicating product return process between the parties may not only impact on customer loyalty but help e-retailer in improving its returned product handling.

Refund processing duration

Online customers patronise e-retailing due to difference in expectation, behaviour and attitude; majority of online customers are impatient when seeking refund for the returned product. Significant proportions of customer are eager to receive their refund within reasonable time without considering e-retailer return handling process. Considering the position of the sample companies on refund, only (20%) of the companies' signify intention to refund within 48 hours after receiving customer returned product; however 40% promised to refund within 2 weeks and the last 40% promised 30 days refund duration.

Product exchange

Exchanging unwanted product with another product also has the potential of gaining customer loyalty. However, 40% of the companies do not offer exchange for product purchased online, while 40% allow product exchange if customer want the product to be replaced for a different size or colour, and the last 20% did not allow exchange of different product but customer desired new product can be order in another size via the return paper in the parcel. It is worth mentioning that one of the company allow UK customer to exchange their unwanted product free of charge while other customer from other part of the world will be charge additional delivery charges.

Product delivery duration

Product deliveries signify e-retailer efficiency in discharging its customer service. The companies' delivery days differs from each other, though 60% of the delivery period falls between 4-10 days, while others are between 6-15 days. The delivery days also depend on the type of delivery options; standard delivery has a longer duration than express delivery. In addition, duration and the charges for the delivery option vary along with e-retailer.

Product cancellation

Product cancellation is another important expectation from e-retailer. Significant number of the sample companies provides opportunity for cancelling transaction before product shipment. 60% allow cancellation, 20% do not have cancellation information on its website, while inapplicable to the last 20%.

In conclusion, notable differences among the return policies implemented by the retailing companies provide opportunity for analysis and evaluation on potential influence on customer loyalty and satisfaction. Some of the return policies offered are outside the harmonized EU consumer rights, while specific service level can be consider as satisfactory and unsatisfactory in winning loyalty. Therefore, e-retailer should improve its services to the level that can guarantee positive influence on loyalty. Implementing customer service level that is covered by EU harmonized consumer rights can influence customer retention that might yield desire loyalty for business growth in a competitive environment.

4. FINDINGS

This chapter presents the findings obtained from the research in line with the methodology described in Chapter 3. The findings are categorized to sections to ensure that each section relates to the research questions. Section 4.1 reports on measurement scale used in quantify the variables. Section 4.2 presents some of assumed customer expectations from e-retailers as found in the reviewed literatures. Section 4.3 reports the exact value offered by the e-retailing firms and section 4.4 finally point out the findings and analysis of the case companies return policies.

4.1. Scaling

Measurement scale is used to quantify the research variables and each scaling is designed to satisfy one or more properties of the measurement. Ordinal scaling method is used to analyse the results, which allow attributes ranking. The distance between values is not interpretable when using ordinal measuring scale.

Table 8: Measurement scale

Scaling Measurement	Low	Medium	High
Ranking	Barely Acceptable	Acceptable	Excellent service
Colour Identification	Red	Blue	Green

High scale: The scale level is considered as the highest service level that e-retailer can offer to customers. Offering at this service level has significant potential of influencing customer shopping attitude and behaviour that can guarantee customer retention and loyalty. Customer expectations that fall within high scaling range are covered by harmonized European legislation

on consumer right, while others that are outside the scope can be offered to customer on e-retailer discretion and competitive strategy.

It worth mentioning that e-retailer cannot fulfil all customer expectations. However, in a competitive driven environment, e-retailer should endeavour to offer services that can positively affect its corporate image, growth, market control, and sustenance of customer relationship.

Medium scale: Services offered at this level are considered as acceptable that is capable of making e-retailer to enjoy customer retention with prospect of gaining more loyalty. The harmonized European Union on consumer rights covers significant numbers of the services within the scale level. E-retailers that operate within the scale level can be referred to as law obedient and customer-oriented. Customer retention and loyalty are recognized as worthy reward for complying with regulations that protect consumer rights.

Low scale: The customer services within the scale limit are accepted by customer but may not guarantee customer loyalty in a competitive environment, especially when other e-retailing firms offer better customer services. E-retailer that operates within measurement level needs to improve its service level to satisfactory level in order to enjoy customer loyalty.

The three measurement levels are used to indicate return policies that have the ability of rewarding e-retailers with aspired customer loyalty. Furthermore, the measuring scales are capable for comparing similarities and differences in return policies offered by the analysed e-retailers. The scaling can also enable customers to realize how the e-retailing firm valuable them individually. The measurement scale has the prospect of assisting e-retailer to understand the differences in return policies and method of improving their decision-making on how to satisfy customer through return policies. E-retailer with customer loyalty and growth orientation should be able to understand and ascertain expected customer service(s) that can reward them with desire loyalty.

4.2. Customer expectations from E-retailer

Customer needs and expectations are not the same when shopping online. There are important factors that shape individual expectations that include age, culture, gender, and previous shopping experiences. Therefore, online-retailer should be able to offer services that can guarantee customer repeated purchases. Consumer expectations from e-retailer are boundless as identify in the reviewed articles. Some of the prominent expectations are mentioned below for the purpose of this research work (Kleinman 2002; Nasir, 2004).

- Clear and informative return policies that permit easier product return or replacement. The clarity and accurate dissemination of return policies are important to customer to enable them gain straight information on after sales services offer by e-retailer. Ambiguous return policies may possibly position customers in darkness and might affect their right of making return and seek refund.
- Timely and effective product delivery
- Privacy and protection of personal data and financial information
- Refund of money
- Product cancellation
- Unrestricted and similar exchange right to bricks and mortar store
- Free shipping for purchased and returned product
- Trust
- Effective interaction between e-retailer and customer
- A well designed website that afford easy navigation and ability to find desirable product information.

4.3. Return policies offered by the e-retailing companies'

In this research, a conceptual framework was developed grounded on reviewed literatures with more focus on return policies. Table 9 reveal the grouping of factors considered important in

determining the attributes of return policies that will generate loyalty and retention. Information obtained from case companies' website on their respective return policies practicality and value offered to customers is used to design the measuring scale in order to better interpret the findings.

Table 9: Return policies scaling scheme

Attributes	Low	Medium	High
Product allowed for return	No return allowed	Restricted return	All products (Without restriction)
Duration allowed for return	0 - 13 Days	14 - 27 Days	28 – 31 Days
Amount to refund	No refund but the money can be used to buy desire product	Product price excluding delivery cost	Full refund
Shipping cost of returned product	Customer bears the cost	E-retailers and customer shared the cost equally	Completely free
Method of returning product	No return allowed	Return only through method of deliveries	Return through method of deliveries and to store or collection centers
Product Exchange	Exchange not allowed	Exchange Restricted	Exchange allowed for all products
Product Cancellation	No cancellation allowed	Cancellation with conditions	Allowed without conditions
Refund Processing duration	30 Days	3-10 Days	48 Hours
Product delivery duration	15 days	5-10 Days	2-3 Days

Attributes	Low	Medium	High
Product return Communication	Not Applicable	Customer discretion	Required as part of customer service

4.4. Analyses of the case companies’ returns policies

4.4.1. ASOS returns policies

Exchange Right

The company product exchange method is different from other e-retailers. ASOS allow customer to order new product as replacement in different size or colour. The initial product must be returned and customer has to make new payment for the latest order as replacement.

Low	Medium	High
Exchange not allowed	Exchange Restricted	Exchange allowed for all products

Product Cancellation

The customer has liberty to cancel any item ordered and receive full refund. In addition, the customer must notify ASOS within seven days through a writing cancellation and quote the product number. The seven working days starts from the day the customer receive order confirmation.

Low	Medium	High
No cancellation allowed	Cancellation with conditions	Allowed

Product Delivery Duration

Prompt product delivery position e-retailer as reliable partner in customers mind. The company international product delivery is approximate as 6-15 days (Free for standard delivery) and 3-7 days for international express (at specified rates).

Low	Medium	High
15 days	5-10 Days	2-3 Days

Refund processing duration

Payment refund is among factors that customer consider in appraising e-retailer customer service efficiency. The company refund process is approximate to 5 days for UK customer and 5-10 days for international customers.

Low	Medium	High
30 Days	3-10 Days	48 Hours

Method of returning product

Method of returning unwanted product is reflected to have significant impact on the success of reverse logistics. Acceptable method of returning product offer by the company is through, collection center, ByBox service, Royal mail, collect+ service. However, customers can choose

their preferred method but at their own risk in case the product get loss, damaged or arrived late at e-retailer collection facility.

Low	Medium	High
No return allowed	Return through postages	Return through postages and to store or collection centers

Shipping cost for returned product

Another source of concern to online customers is whose responsibility is the shipping cost of returned. ASOS mentioned clearly in the company policies that shipping cost of returned product are customer sole responsibility. This indicate that ASOS did not consider free return shipping as method of induce customer for repeated purchases.

Low	Medium	High
Customer pays	E-retailers pay half	Completely free

Product allowed for return

Online shoppers are expecting an opportunity of returning all goods purchased online including tested underwear dresses. Nevertheless, the company accepts return of products bought online with exception of underwear dresses. Underwear dress is rejected because of hygiene. Rejecting tested underwear dresses is considered not to have significant effect on loyalty, because there is a reasonable reason for the action.

Low	Medium	High
No return allowed	Restricted return	All products (Without restriction)

Duration allowed for return

The company ask customer to ensure that products are returned within 28 days of receiving the product. The company strategically reasoned that given a longer duration to customer can prevent incidence of late return that might arise due to courier delay. Furthermore, 28 days can possibly keep customer happier and change his or her mind in keeping the product than returning it. Although, the company might not be able to properly inspect the returned product because of the short refund process duration. Yet, the company consider lengthy return period as strategic measure of promoting loyalty.

Low	Medium	High
0 - 13 Days	14 - 27 Days	28 – 31 Days

Product return communication

Communication is an essential ingredient in keeping customer abreast of changes and latest happening within the company. The company appreciate communication and ensure prompt dissemination of returned product receipt confirmation through email to customer as soon as the product(s) is received. This approach is held to promote trust and cordial relationship between the parties.

Low	Medium	High
Not Applicable	Customer discretion	Required (Part of service)

Amount to refund

In making customer satisfy and happier, the amount to be refund is consider critical. ASOS policy is to refund customer with payment balance after deducting delivery charges. These indicate that, the company is not responsible for any cost linked to the returned product. Whereas, customers are expecting a free delivery charges that is considered as excellent service level.

Low	Medium	High
No payment refund, but customer can use the money to order another product	Product price paid excluding delivery cost.	Full payment refund

4.4.2. ZALANDO returns policies

Exchange Right

Opportunity to enjoy product exchange without restriction is among online customers aspiration from their chosen e-retailer. Zalando as pure e-retailing firm do not offer product exchange, customer has right to only payment refund. Zalando as pure e-retailing firm failed to consider product exchange opportunity as strategic tools of winning customer loyalty and promote strong bond. Offering expected service level to online customer is instrumental to business growth.

Low	Medium	High
Exchange not allowed	Exchange Restricted	Exchange allowed for all products

Product Cancellation

Customer rights to product cancellation are expected to contribute to retention level. However, Zalando request the customer to ensure that product cancellation is complete within 14 days. The company cancellation period is in line with harmonized EU customer protection rights. This indicate that Zalando consider lengthy cancellation period as excellent customer service that is possible to generate long –term relationship and loyalty.

Low	Medium	High
No cancellation allowed	Cancellation with conditions	Allowed

Product Delivery Duration

Speedy product delivery positions e-retailer as dependable and trustworthy firm in customer mind. The company ensure that UK customers receive purchased product within 3-5 days, however, customer in Finland receive their package within reasonable and accepted period which is not stated on the company website. Timely product delivery can assist Zalando in receiving useful feedback on their product and other related issues from customer as soon as possible.

Low	Medium	High
15 days	5-10 Days	2-3 Days

Refund processing duration

Customer attitudes and behaviours differ on e-retailer refund duration. Zalando promised to effect payment refund within 48 hours after receiving customer parcel. Although, completing payment refund within the stipulated period could affect Zalando capacity of performing comprehensive check on the product to determine its condition. Yet, the company promised to refund within the shortest time. This point out that Zalando consider shortest refund duration as strategy of keeping customer satisfied and guarantee future patronage.

Low	Medium	High
30 Days	3-10 Days	48 Hours

Method of returning product

Zalando is purely an e-retailing firm, these make it difficult for customer to return unwanted product to bricks and mortar store. Therefore, customer can only return the product through the same method of delivery. In addition, the company can automatically pick up the product when notified by customer. Therefore, not been able to return product to bricks and mortars is considered not to have significant effect on customer loyalty. However, the firm should ensure that its return process is functional and customer friendly with less or no stress.

Low	Medium	High
No return allowed	Return through postages	Return through postages and to store or collection centers

Shipping cost of returned product

The shipping cost of returned product is Zalando responsibility. The e-retailing firm used the free product delivery and return as strategy of obtaining and retaining customer. Since customers are

expecting this type of opportunity, online-retailer that offers the service has the tendency of receiving customer commitment and future patronage as reward.

Low	Medium	High
Customer pays	E-retailers pay half	Completely free

Product allowed for return

The company give customer the liberty to return any unworn product for any reason. However, Zalando does not consider product tested to determine the suitability as worn. Therefore, customer has the opportunity to test the suitability of the product and if the product is deemed unfit, it can be return the product for refund. This gesture is categorized as excellent service that can influence customer loyalty and future patronage.

Low	Medium	High
No return allowed	Restricted return	All products (Without restriction)

Duration allowed for return

The company require customer to return their unwanted product within 30 days of receiving it. The company consider that given a longer duration to customer can avert incidence of late product return that is mostly attributed to courier delay.

Low	Medium	High
0 - 13 Days	14 - 27 Days	28 – 31 Days

Product return communication

The company consider communication as vital mechanism in keeping customer well informed of reform and happening about the company products. Communication is regarded as significant tool in wining customer attention; therefore, notice about product return must be communicated to enable the company commence necessary processing.

Low	Medium	High
Not Applicable	Customer discretion	Required (Part of service)

Amount to refund

An examination that a successful e-retailer must pass is how much the company is willing to refund when customer return product for a specific reason. Zalando, consider this question as important issue that can impact on business growth. Zalando therefore promised to refund all money paid by customer without charging delivery and return fees. This indicate that Zalando consider customer satisfaction as antidote to customer retention and loyalty.

Low	Medium	High
No payment refund, but customer can use the money to order another product	Product price paid excluding delivery cost.	Full payment refund

4.4.3. ZARA returns policies

Exchange Right

Opportunity to enjoy product exchange without restriction is among customer expectation from preferred e-retailer. However, Zara does not offer product exchange right to Finland customers, which make it impossible for the customer to have their unwanted product returned.

Low	Medium	High
Exchange not allowed	Exchange Restricted	Exchange allowed for all products

Product Cancellation

Zara allow customer to cancel order within seven working days and any cancellation done after 7 days is not accepted. Customers are expecting cancellation without timeframe restriction; however, granting the request can increase fraudulent product return. The company is ready to satisfy customers by providing appreciable customer services, likewise Zara want to protect the company bottom line and reduce unnecessary costs.

Low	Medium	High
No cancellation allowed	Cancellation with conditions	Allowed without conditions

Product Delivery Duration

Zara endeavour to fulfil product delivery within 15 days of order confirmation, except there is incidence of delay for instance customization of product, unforeseen circumstances, and problem with delivery address that can be communicate with customer immediately.

Low	Medium	High
15 days	5-10 Days	2-3 Days

Refund processing duration

There are factors consider as motivating factor in an online business environment, payment refund duration play a major role. Zara promised to refund customer within 30 days after the receipt of the returned product. Significant number of online shopper cannot endure for long time before receiving their refunds; therefore, e-retailer that want to enjoy customer continuous patronage has a duty to implement refund duration that is acceptable to shopper.

Low	Medium	High
30 Days	3-10 Days	48 Hours

Method of returning product

Zara operate both store and online retailing. In order to satisfy their customer, Zara encourage their customer to return their unwanted product through the same method of deliveries. These may possibly avert conflict that is attributed to delivery delay and lost in transit.

Low	Medium	High
No return allowed	Return through postages	Return through postages and to store or collection centers

Shipping cost of returned product

Online customers are expecting free delivery service from their selected e-retailer. Zara through its friendly policy ensure that customers are not responsible for return charges in order to encourage future patronage and improve the existing relationship.

Low	Medium	High
Customer pays	E-retailers pay half	Completely free

Product allowed for return

Customer can return all unsuitable products that are not to their taste. Nevertheless, the product must be return in good and marketable condition. The company does not operate online retailing for Finland customers, which is consider as setback to Finland customers shopping intention.

Low	Medium	High
No return allowed	Restricted return	All products (Without restriction)

Duration allowed for return

Another factor consider important by customer is the allowed duration to make product return. It was noticed that large number of customers are expecting longer period to effects return. Zara give 30 days as allowable period for product return upon receipt. The 30 days is an excellent service level that can secure customer loyalty and build on the company brand image.

Low	Medium	High
0 - 13 Days	14 - 27 Days	28 – 31 Days

Product return communication

Communication is an indispensable feature in keeping customer up-to-date on changes and happenings about e-retailer products. Customer has to communicate order cancellation or replacement through the company web form. These action point out that, Zara regards communication as effective tactic in promoting relationship and attaining customer loyalty.

Low	Medium	High
Not Applicable	Customer discretion	Required (Part of service)

Amount to refund

A successful e-retailer must be able to determine how much the company can refund when customer return the product for private reason. Zara stated that full refund of money will be paid to customer through the same payment method used to transact with the company.

Low	Medium	High
No payment refund, but customer can use the money to order another product	Product price paid excluding delivery cost.	Full payment refund

4.4.4. DRESS-FOR-LESS returns policies

Exchange Right

Right to enjoy product exchange without restriction is among customer expectation from chosen e-retailer. Dress-for-less allows their customer to exchange product with another of the same category in different size and colour. Opportunity to exchange unwanted product with product from another category is not permitted, the desired new product can only be order in different size or colour.

Low	Medium	High
Exchange not allowed	Exchange Restricted	Exchange allowed for all products

Product Cancellation

Customers are expecting opportunity to cancel unwanted product, but the information on the company website is silent on customer cancellation rights. For dress-for-less to be competitive, the company cancellation policy must be known to customers.

Low	Medium	High
No cancellation allowed (No information about cancellation)	Cancellation with conditions	Allowed

Product Delivery Duration

Dress-for-less endeavour to fulfil product delivery within 4-9 days for normal delivery after order confirmation, except there is incidence of delay. This indicates that the company set

prompt delivery as a good strategy for keeping customers happier. Promising product delivery between 4-9 days is accepted by customer, dress- for- less should operate within the high measurement level in order to improve customer commitment. The higher measurement level can guarantee customer loyalty.

Low	Medium	High
15 days	5-10 Days	2-3 Days

Refund processing duration

Refund duration should not be handled with levity. E-retailer should understand that some customers are impatient and anxiously waiting for prompt refund. The company pledged to issue refund to the original payment method used by the customer. Refund is generally process within three to five (3-5) weeks after confirmation of goods receipt into the company. The refund duration implemented by the company can be reflected as intolerable service to majority of the customers. In a competitive environment, refund duration can affect customer patronage. Therefore, dress-for-less should improve on its refund duration to excellent service level.

Low	Medium	High
30 Days	3-10 Days	48 Hours

Method of returning product

Customers are expecting opportunity of returning the unsatisfactory products to store, if the e-retailer operates bricks and mortars store and online services. The e-retailing firm does not operate bricks and mortars store; therefore, return to store is not possible. Consequently, the same method of delivery should be used for returning the product.

Low	Medium	High
No return allowed	Return through postages	Return through postages and to store or collection centers

Shipping cost of returned product

With the exclusion of customers order from Germany and Austria, customers from other countries of the world are responsible for shipping cost of returned product. The policy implemented by the company placed them on low measurement that may not guarantee customer retention. E-retailing firms are now implementing complete free return services to customers.

Low	Medium	High
Customer pays (Exempt some countries)	E-retailers pay half	Completely free

Product allowed for return

Customer can return all goods that are consider unsatisfactory, however the product must be return in worthy and saleable condition. The company use similar restriction like other e-retailing firms by rejecting underwear dress with broken package. The medium measurement level can keep the customer happier because the restriction is based on hygiene that customer can accept as reasonable excuse.

Low	Medium	High
No return allowed	Restricted return	All products (Without restriction)

Duration allowed for return

Return duration is important to both parties, nevertheless dress-for-less ask customer to return unwanted or defected product within 14 days of receipt. The 14 days period is capable of satisfying customer to certain extent; the company should endeavour to change return duration to excellent level (high) in order to be a strong competitor in the market.

Low	Medium	High
0 - 13 Days	14 - 27 Days	28 – 31 Days

Product return communication

Communication is necessary in keeping customer well inform of changes and update to e-retailer customer policies. Dress-for-less did not emphasize product return communication, the company did not ask customer to send message or document confirming the return of unwanted product. These demonstrate that the company has not realized the importance of communication as useful tool in winning customer trust and loyalty.

Low	Medium	High
Not Applicable	Customer discretion	Required (Part of service)

Amount to refund

Dress-for-less will not refund full money paid by the customer. The company will be liable to only the purchase price of the product after deducting delivery and shipping cost. Dress-for-less only liable for full refund if the product is defect when deliver.

Low	Medium	High
No payment refund, but customer can use the money to order another product	Product price paid excluding delivery cost.	Full payment refund

4.4.5. H&M returns policies

Exchange Right

H&M permit customer to change the unwanted product in different size and colour from the same product category. When a product is exchange within the same product category, no additional delivery fee will be charge. Finland customers are not opportune to exchange or return at store despite operating bricks and mortar store in Finland. However, UK customer can exchange online purchases at any H&M store, if the customer can present the delivery note.

Low	Medium	High
Exchange not allowed (Finland customer)	Exchange Restricted	Exchange allowed for all products

Product Cancellation

H&M understand how important the customers rate cancellation right. The company grants 14 and 28 working days to Finland and UK customers respectively, begins from the day after order confirmation to signify transaction cancellation. Any cancellation done after the expiration of 14 days, the customer will lose his or her rights to receive a full refund.

Low	Medium	High
No cancellation allowed	Cancellation with conditions	Allowed

Product Delivery Duration

Customer expectations vary when shopping online, among the expected service is timely product delivery. Product delivery has the capability of motivating customer to patronize the selected e-retailer continuously. H&M product delivery duration for UK customer is within 3-5 days, while customer in Finland receives their package within reasonable and accepted period. H&M delivery duration is within the measurement level consider as acceptable but has the potential of moving to higher level.

Low	Medium	High
15 days	5-10 Days	2-3 Days

Refund processing duration

Payment of refund is within 30 days after the company receives the products. The refund duration can be consider as demotivating factor, because impatient customer could find it hard to tolerate. Customer can decide to pitch tent with e-retailer that offers refund within the acceptable level and excellent service level (medium or high). However, in a strong competitive market e-retailer might be advantageous when offer 48 hours refund.

Low	Medium	High
30 Days	3-10 Days	48 Hours

Method of returning product

Customers are expecting store return opportunity for unsatisfactory product purchased, possibly if the e-retailing firm operates bricks and mortar and online services. Returning unsatisfactory product back to store is not available for Finland online shoppers, but available to UK customers. Therefore, the company should make their method of return the same for all customers irrespective of country of residence or geographical location.

Low	Medium	High
No return allowed	Return through postages	Return through postages and to store or collection centers

Shipping cost of returned product

H&M is responsible for shipping cost of returned products. The company accept the responsibility in order to encourage future patronage and foster existing relationship.

Low	Medium	High
Customer pays	E-retailers pay half	Completely free

Product allowed for return

Like other e-retailing firms, H&M customer can return any goods that are not to their taste. Likewise, the product must be return in good and marketable condition.

Low	Medium	High
No return allowed	Restricted return	All products (Without restriction)

Duration allowed for return

The unwanted or defected product must be send back to the company within 14 days of receipt. The company consider the 14 days duration as appropriate time that can be given to customer, but H&M can improve its customer service by allowing between 28-31 days which is an excellent service level.

Low	Medium	High
0 - 13 Days	14 - 27 Days	28 – 31 Days

Product return communication

H&M does not focus on product return communication as important technique of winning customer trust. The company did not ask customer for notification on issue bothering on returning unwanted product. Customers are expecting an opportunity to discuss their shopping experience with e-retailer especially when they encounter problem with the purchased product.

Low	Medium	High
Not Applicable	Customer discretion	Required (Part of service)

Amount to refund

H&M will refund all money paid by customer relating to the product return without deducting any charges.

Low	Medium	High
No payment refund, but customer can use the money to order another product	Product price paid excluding delivery cost.	Full payment refund

4.5. Analysis of findings on the Case Companies' return policies

This section presents and analyse the research findings from the data gathered. The data were processed to provide response to the problems mentioned in Chapter 1. The findings presented demonstrate the potential of return policies in influencing customer loyalty.

The red colour signifies the lowest service given to customer that can have negative impact on customer repeated purchases and loyalty. The blue colour denotes the customer service level that can sustaining the existing loyalty and retention, while the green colour represents the highest service level that e-retailer can offer to customer. The green colour service level is position as excellent customers service that e-retailer can offer in a competitive environment to enjoy competitive advantage and loyalty.

Table 10: Analysis of differences in the e-retailing companies' returns policies

Return policies	ASOS	Dress for less	Zalando	H&M	Zara
Products allowed for returned	M	M	M	M	M
Duration allowed for return	H	M	H	M	H
Amount to refund	M	M	H	H	H
Shipping cost of returned product	L	L	H	H	H
Product delivery duration	M	M	M	M	L
Method of returning product	H	M	M	M	H
Product return Communication	H	L	H	L	H

Return policies	ASOS	Dress for less	Zalando	H&M	Zara
Refund processing duration	M	L	H	L	L
Product Cancellation	H	NIL	H	H	M
Product Exchange	M	M	L	L	L

Exchange Right

Customer needs and tastes changes over time, this make online shopper to seek for product exchange for rejected or unsatisfactory product with another product from different category of the same price. However, 80 percent of the sample e-retailing companies allow their customers to exchange product from the same product category, while 20 percent do not provide opportunity for product exchange. Substantial number of the e-retailing firms consent that customer can exchange goods purchased online with another items of the same category, through the filling of exchange form via internet. But, the customer must include the details of the product to be exchange in the form and must conform to the instruction attached to the package.

In contrary, restricting the extent to which a customer can exchange product can operably prevent distrust. Reason been that, there is no assurance that customer will not seek product exchange for already exchanged product after testing the suitability of the product. Implementing restrictive return policies can promote trust between e-retailer and buyer. The existence of trust between them may perhaps serve as catalyst for customer loyalty. Restrictive return policies are

useful in confirming customer purchase intention after careful understanding of permissible return conditions.

The result disclosed that eighty percent of the e-retailers recognize exchange possibility as motivating factor that can yield desire customer loyalty. Furthermore, giving customer a privilege to exchange product from other product class of the same price or different prices on condition that, the difference in price will be paid by the customer if the latter price is higher than initial price is assume to yield customer satisfaction that can lead to loyalty. Therefore, a satisfied customer can well reward e-retailer with undiluted loyalty.

Low	Medium	High
Exchange not allowed	Exchange Restricted	Exchange allowed for all products
20%	80%	-

Product Cancellation

Cancellation is another customer expectation from e-retailer. However, sizeable numbers of e-retailers provide opportunity for transaction cancellation before shipping. Despite, customer can cancel the order after shipping but subject to possession risk. The possession risk of product passed to the customer until the product is finally returned back to the e-retailer. The reason for passing the possession risk to customer is due to mistrust (example customer sometimes denial the receipt of the product), therefore trust is positioned as one of the bedrock of e-retailing operations.

It is beneficiary for e-retailer to have the transaction cancelled than to have it abandoned in the shopping cart. The feedbacks generated from return forms completed by customer on the reasons for cancellation is useful for e-retailer in performance evaluation. A customer that cancelled purchases can come back and make successful purchase because of previous positive experience. By so doing, it could increase loyalty level and promote repeated purchases that can impact on

the business growth and survival in competitive environment. Cancellation right provides customer that made wrong purchase an opportunity to correct the erroneous mistake. Online customer that enjoys privilege of cancelling erroneous order possibly be committed to continuously shopping with the firm when making future purchases. The approach will generates retention and commitment needed for e-retailer business growth. Therefore, cancellation opportunity is an excellent service level that is position to contribute to online customer loyalty and satisfaction.

Low	Medium	High
No cancellation allowed	Cancellation with conditions	Allowed
20%	-	80%

Product Delivery Duration

Loss in customer volume and revenue can be link indirectly to delay in product delivery. For that reason, prompt product delivery is the lifeblood of any business. E-retailer can offer quality products and competitive pricing, but if failed to offer acceptable services that can entice customer for further purchases, such e-retailer is on the verge of losing the customer and have its revenue stream affected negatively. Prompt and effective product delivery system can bring customers back, deducing that good customer service is a prerequisite to customer loyalty and retention. Customers appreciate e-retailers that deliver product as indicated on their respective websites. 80 percent of the sample e-retailing companies guarantee delivery within 5-10 days without failure; however, others guarantee delivery within 15 days due to geographical distance. This reveals that, all the e-retailers positioned timely delivery as mechanism for retaining and keeping customer satisfied.

Business success depends on functionality of existing relationship between e-retailers and customers. It is worth mentioning that good customer services can add extra value to business growth. Satisfied customers will share shopping experience with friends, while a carelessly handle customers complaint may send e-retailers completely out of business. Similarly, e-retailer

that delivers excellent customer services through prompt product delivery is capable of turning short- term customer relationship into long -term relationship.

Finally, late product delivery can lead to customer dissatisfaction. Negative customer experience has tendency of affecting customer loyalty and willingness to make future purchases. Anton (1996) asserts that, satisfaction positively related to customer repurchases intention, loyalty and possible product recommendation.

Low	Medium	High
15 days	5-10 Days	2-3 Days
20%	80%	

Refund processing duration

Significant numbers of online shoppers are impatient and expecting prompt payment refund. E-retailer that promptly process refund has greater possibility of acquiring customer commitment and future patronage as reward. The possibility of acquiring customer loyalty centered on previous shopping experience, for example whenever a customer make purchase mistake there is guarantee of receiving refund within shortest period.

The result revealed that 40% of e-retailer refund within 30 days after confirmation of product receipt. Impatience customers may possibly shift allegiance and loyalty to the firms (20%) that promised 48 hours refund upon confirmation of product return. The last 40% (medium) that pledged refund within 3-10 days could be consider tolerable and acceptable to customer. Although, customers can continue to patronize the firm, but there is greater possibility that customer allegiance and loyalty will gradually shift from low (30 days) to medium (3-10 days) and finally to better firm that offer excellent refund services (48 hours).

Low	Medium	High
30 Days	3-10 Days	48 Hours
40%	40%	20%

Method of returning product

E-retailer must meet customer expectation by providing an opportunity for returning unfit product(s) purchased via online to store, especially when the e-retailer operate bricks and mortar store. There should be no preferential treatment between online customer and brick and mortar customers. Online customer must enjoy the same treatment and respect accord the bricks and mortar customer. The value worth of the returned product should not serve as yardstick in determining the customer that can enjoy necessary attention. Returning unfit product to store enable customer to inspect and exchange the product for desire goods or seek refund if the desire choice is not available. However, any customers that seek product exchange must provide necessary documents supporting the purchase and the return should be made within stipulated period. E-retailer must understand the magnitude of customer influence on its business activities. A positive after sales experience has significant role on the e-retailer image. E-retailer should strive to elucidate on the observed differences in return policies employ by the case companies.

The product return method of firms that operate both bricks and mortar store and online store is bit different from the retailer that practice pure e-retailing. Purely e-retailing firm is not opportune to offer store return to customer due to inexistence of outlet, as majority of firm that guarantee store return operate bricks and mortar. E-retailer that operates in both environments should accept store return in order to enjoy more customer loyalty and retention. All customers irrespective of the country of residence should enjoy the opportunity. It can be consider as demotivating when certain customers are prevented from returning unfit product to store, while others in another country enjoy the privilege despite shopping with the same e-retailer. Therefore, e-retailer should endeavour to operate within the high measurement level to be more competitive and win customer loyalty.

Low	Medium	High
No return allowed	Return through postages	Return through postages and to store or collection centers
-	60%	40%

Shipping cost of returned product

Online customers are expecting 100% free return irrespective of the product financial worth. Recently, few e-retailers have introduced another condition to determine when customer can enjoy 100% free return. A good example is when product purchased valued exceed 50 Euro; customer is entitled to free delivery and return. E-retailer that desire to enjoy customer loyalty must ensure that customers are not subjected to stringent condition that can affect their loyalty.

The result reveals that, 60% of e-retailers offer free return without condition. The implication is that, customer patronage with the firm will increase, because they believed that they can have their unwanted product returned without cost. Customer will be more interested in shopping with the company that offers better financial and customer services. Customers will tend to be more cautious in dealing with e-retailer that charge fee for returning product. Free product return can have effect on e-retailer profit margin, but it can also promote customer retention and loyalty. In addition, customer retention and loyalty cannot be measured financially, but can be position as an engine of business growth.

Low	Medium	High
Customer pays	E-retailers pay half	Completely free
40%		60%

Product allowed for return

The e-retailing companies have similar restrictions for the type of product(s) accepted for customer return. The result reveals that online-retailers accept all products with exemption of tested underwear that can be consider as restriction. The restriction clause is hinge on hygiene

issues, yet customers are still expecting liberty for returning tested underwear dress with less consideration on fellow customer hygiene. Rejecting tested underwear dress is recognized to have insignificant effect on customer retention and future purchase. The restriction can encourage shopper to be more careful when selecting underwear dress. The result point out that the case companies consider category of product that can be returned as crucial to their survival and customer retention.

Low	Medium	High
No return allowed	Restricted return	All products (Without restriction)
-	100%	-

Duration allowed for return

Significant numbers of e-retailer has understood the importance of timely and effective return processing to customer. Majority of the e-retailer return processing time are within the high measurement level (28 – 31 days). The substantial numbers of e-retailer allow customer to enjoy average of 30 days in making product return, the allowable period is reasonable in attaining customer loyalty and fulfilling organizational goal of value recapturing. Although, granting a long return duration to customer might be detrimental to e-retailer business due to the rate at which clothing and other materials are getting out of fashion. Clothing product with short life cycle if allowed to be return in 30 days can significantly affect firm bottom line. However, customer that enjoy the long duration will be more happy and satisfied and will be encourage to patronize the company.

Low	Medium	High
0 - 13 Days	14 - 27 Days	28 – 31 Days
-	40%	60%

Product return communication

Communicating of return policies and other activities to customer is essential to e-retailing success. 60% of the analysed firms realized the importance of communication in gaining customer trust and loyalty. More so, through communication and feedback monitoring e-retailer would be able to gather useful information in limiting product return rate and able to analyse customer shopping behaviour. Communication is an integral part of business process that must not be distort. Any firm that promotes effective communication with customer has the ability to always capture customer attention, trust and loyalty. Communicating with customers is assumed to influence trust and improve existing relationship. Returned product communication between the parties have propensity to facilitate cooperation and guarantee commitment. Forty (40) % of the case companies must realize the usefulness of communication in obtaining customer loyalty and trust. In addition, the contribution of communication to business growth and study of customer behaviour and attitude cannot be denied.

Low	Medium	High
Not Applicable	Customer discretion	Required (Part of service)
40%		60%

Amount to refund

Customers are expecting full refund without paying shipping fee and other related expenses. However, significant number of e-retailers promised free return, fulfilling the promise would positively influence future shopping and increase customer trust. Satisfaction and loyalty are result of positive customer experience; e-retailers that implement friendly return policies are expected to enjoy loyalty and satisfaction.

The finding reveals that 80 percent of the case companies promised a full refund to customer. This signifies that, all the firms recognize full refund as technique of securing customer loyalty. Furthermore, the case companies positioned refund as guarantee of customer services and product quality. However, a stringent condition that makes customer liable to cost of return has

its own advantage as well. It enables the customer to be more cautious and careful in assessing and evaluating the product before making the final purchase.

Low	Medium	High
No payment refund, but customer can use the money to order another product	Product price paid excluding delivery cost.	Full payment refund
	20%	80%

5. DISCUSSION AND CONCLUSION

Internet activities are fast becoming an integral part of our daily routine; reasonable numbers of daily needs products and services are more available on internet and could be delivered to shoppers doorsteps with a click on the computer. Retaining a loyal customer has been the major interest of online-retailers and other firms. The current study was designed to analyse and evaluate online-retailer reverse logistics through return policies in achieving customer loyalty and satisfaction. In order to achieve the targeted result, several articles were review and compared with relevant information published on e-retailers website. The current study has studied different aspect of reverse logistics, distinguished it from previous studies by evaluating how to use returns policies in acquiring customer loyalty for e-retailers.

Significant numbers of customers now commit to online shopping. With the increase in volume of internet buyers, e-retailers must ensure that they communicate their return policies to customer often as possible. Customers are expecting cordial relationship with their e-retailers, which is instrumental to building and sustaining of loyalty. In addition, e-retailer must provide customer with necessary support and service programs that is possible to generate excellent after purchase experience and keep them on repeated purchase paths. Customer are always right, therefore e-retailer must all time be ready to meet substantial percentage of their expectations. Any e-retailing firm that failed to yield to customer request would be force to go into business extinction. The appropriate step to customer service implementation is for the e-retailer to first understand customer needs and make it available in effective and polite manner.

The study finding point out that loyalty is attainable not only through costly advertisement, product quality, reasonable price, and marketing but realizable through employment of acceptable after sales customer service programs. Reverse logistics implementation is no more a strange mechanism to e-retailers. E-retailers should not focus on strategies that can benefit them as firm alone; rather they should focus and build on strategies that are capable of making customer satisfy to increases customer retention. Retention and managing customer loyalty is of

great concern to bricks and mortar stores and e-retailing firms; therefore, in-depth understanding of customer loyalty drivers in online environment is a critical strategy formulation.

Bricks and mortar stores and online retailers are currently committed to similar return policies since they have the same undertaking of retaining and achieving customer loyalty. The research findings point out that offering customer with appreciable customer services worth in motivating and increasing satisfaction level, which in turn can increase customer loyalty to prefer e-retailer. The return policies is quite different from other strategies in securing customer loyalty, it is not about awarding points or discount, however securing loyalty should center on offering a unique customer service that is based on trust. Therefore, customer loyalty is achievable through excellent pre and post purchase customer services. Most customers' loyalty programs being employ by e-retailing firms lack legal backing, since they are internally design by the firm in order to entice and secure more customers. However, return policies as part of customer service programs among European Union Nations has legal implication.

Offering various loyalty programs could be regard as buying customer over with specific program. Trivial failure in the offered loyalty program might have greater effects on customer and e-retailer relationship that could eventually reduce the level of loyalty currently enjoy. A customer service designed in making customer happier and satisfied can contribute to attracting and retaining of customers. The study findings supports Fernández (2005) claim that customer rank service quality above other offers. Liberal return policies implementation is capable of improving the service level offered by e-retailer to online customers to generate higher customer loyalty. The easier it is for customers to deal with returned products, the more it increases their willingness for future and continuous patronage.

E-retailer should ensure that careful attention and consideration is giving to both pre and post-sales customer services. Loyal and satisfy customer intends to be committed to a particular e-retailer or brand than switching interest to another firm. The key to obtaining customer loyalty is the level and quality of customer service support offered. The free return policy contributes in reducing perceive online risk and uncertainty that could prevent customers from buying cloths

online (feeling of unfit cloth) and worry on return possibility. Though the harmonized law favour customer, yet it still prevent e-retailer interest on profitability.

The result revealed that, almost all the sample (ASOS, H&M, Dress-For-All, Zalando, and Zara) e-retailers have some restrictive conditions, this conditions make customer to be more careful before making final purchase. The e-retailers are doing what they can do to protect themselves from fraudulent return by implementing stringent return policies, yet they still have to satisfy the customer in order to develop loyalty. Reverse logistics activities does not limit to value recapturing alone, but can be positioned as opportunity for helping e-retailers to be successful. An e-retailer that failed to utilize the advantages of reverse logistics could miss the benefits of improving its bottom line as well as customer satisfaction and loyalty.

The study point out that liberal return policy has significant tendency of contributing to entire reverse logistics performance in retaining customers that inevitably select wrong products and those that received entirely wrong product than one purchased, the result findings is supported Rogers and Tibben-Lembke, (1999). Irrespective of the parties that commit the transactional mistake, the liberal policy has the potential to significantly correct the negative impression, reduce customer level of dissatisfaction, and as well, increase satisfaction to desirable level of generating needed customer loyalty.

The study revealed that, return policy as a business strategy has significant relationship with loyalty, supported by both Mollenkopf et al., (2007), and Cronin et al., (2000) position. A free risk and friendly return policy makes customer happier and satisfied especially when customer makes purchasing mistake. Evaluating the return policies approach of the case companies, one can summarize that friendly return policies can encourage repeated purchases than attracting new customers. Prahinski and Kocabasoglu, (2005) claim that the cost of maintaining and retaining existing customer is less expensive compared to new customer acquisition, these position can be used to support liberal return policy. It is crucial to keep customer satisfied, therefore e-retailer have to anticipate and strategize for service recovery way out to maintain customer (Hart et al., 1990).

Some of the case companies' websites are designed in way that allow customer to navigate through easily. Majority of the return policies are strategically place on the website, so that all information concerning product return can be access and understand in clear term. However, there are diverse opinions on the impact of web design on customer purchase intention, but significant number of researcher concludes that web design does not have significant impact on consumer purchase intention for clothing products. Kim and Kim (2004) positioned that site design is not crucial to purchase clothing on the internet, though it aid customer selection process but does not complete the intention to purchase.

The competitiveness and growth in e-commerce has made e-retailers to have quite similar returns policies that were design to encourage and retain customers which was in line with Smith, (2005) affirmation. The competitiveness, pressure and growth in the number of e-retailers have significant effect on the type of return policies being practice. The analysis of case companies return policies support Xuanming (2009) claim that return policies help in stimulating demand by protecting consumer against the likelihood of product non-conformity. Return policy does not occur in emptiness; customer previous experience affects satisfaction, loyalty perception and loyalty (Mollenkopf et al., 2007).

An effective return policy is position as guarantee for product quality; therefore, there should be a clear statement on conditions required from customers to return products. Return policy should be much explicit on the maximum period upon which the return is acceptable and be communicate to customer. The widely accepted product return period is now thirty days. There is need for further clarification as some e-retailer record shipping period as part of period allowed for returned. It is advisable to itemize the return deadline details to avoid conflict. Business Times (2012) explained example of return policy. Return within 14 days are eligible for a full cash refund, return after 14 days, up to 30 days can get a 75% cash refund or 100% store credit, and return after 30 days, up to 45 days can only get store credit for 100%, while return after 45 days are not eligible for a refund.

Furthermore, effective return policies implementation followed by communication with customer has the capability to project good impression that e-retailer appreciate and position customer relationship as integral part of the business. A well-communicated return policy has the potential reduce difficulty associated with unclear return policy. Communicating on customer experiences and expectation would also have a positive impact on shopping behaviour, which could in turn influence future purchases. E-retailer should not shy away from seeking customer opinion on how they can serve them better. Online shoppers have the desire of communicating with e-retailer that offers excellent customer services. Satisfied customers usually desire in communication their positive experience with firm that provides the excellent service. Communication opportunity serves as driver to trust and relationship sustenance. Communication on product return is a tool of settling return dispute amicably and building long-term commitment

Returning a product back to e-retailer can be describe as an examination that growth and customer oriented firm should not fail, it promotes the genuineness of e-retailer and consumer. Any attempt to affect the established trust through poor product return experience could ruin the relationship, which may well affect loyalty. E-retailer should ensure that customer could return product purchased from store or online in one country at another country of the same firm. For example, a customer that purchase shirt in Finland can have the same shirt returned for refund or exchange in Germany.

E-retailers return and refunds policies is positioned to have effect on customer perception about e-retailer overall integrity. Effective return policies has the potential of achieving increase in business rate of return, reduction in operational cost, timely value recovery, and customer's satisfaction and loyalty. The research result point out that return policies can be effectively use in sustaining e-retailer and customer relationship, which can have long-term impact on business survival. According to the findings, the observable return policies factors that are consider in obtaining customer loyalty are; the amount that e-retailer offer to refund, shipping and return cost, exchange right, store return opportunity, goods acceptable for return, allowable return

duration, and right of product cancellation, implying that e-retailer should take those factors into strategic considerations.

The framework used in this thesis opens up another avenue for further research. However, the study was carefully prepared and reached its aims, but there were shortcoming and unavoidable limitations that limit the scope of the research work. The research was conducted without opportunity to interview e-retailer and administer questionnaire to customer so that information on the practicality of return policies and its effect on customers can be collect. The current study has largely relied on qualitative method of data collection that makes the findings more narrowed. Quantitative method of data collections suggested in providing wider perspective for further research on the topic. Due to the qualitative nature of the study, sustainability of return policies in achieving customer loyalty should be further research with empirical evidence like questionnaire and interview. In addition, further research can be conducted on possible impact of customer return policies offered by pure bricks and mortar and pure e-retailing firm on loyalty and satisfaction.

The implication of this research is that, it would enable e-retailer to understand how to implement return policies strategically in fulfilling customer expectation, which could in turn yield customer loyalty. Loyalty is e-retailer reward when the level of customer satisfaction is high, any drop in satisfaction level can witness fall in level of customer loyalty and commitment to e-retailer. E-retailer that employed a strategy of addressing customer ill feeling through customer service program can enjoy the customer total commitment and loyalty. The customer experience on the perceived difference between expected value and actual value offered play a major role on customer loyalty decision. Keeping and retaining customers is essential to e-retailer success and individual customers appreciate and value any e-retailer that understand how to employ customer service program in making customer satisfied rather than focusing on shipping and sales.

Despite the huge advantages that reverse logistics could offer e-retailers, significant numbers of online-retailers implement the policy as reactive in order to adhere to legal obligations than to

adopt it as strategy for improving performance and enhance customer loyalty. The can enable online retailer to focus on resource allocation for reverse logistics and spread return handling among all departments that makes up individual case companies. Involvement of all departments in return handling has possibility of providing accurate information about costs expended on reverse logistics. Return information handling could enable online-retailer to have database for individual customer which can provides avenue for monitoring individual customer purchasing history. Also, it may possibly assist in detecting and analysing the kind of defects that generates higher return.

Conclusively, e-retailer should not always focus on making profit, high volume of sales or has highest number of shopper, but focused on how to offer great customer experience through after sales customer programs. Return policies have the potential of assisting firms in handling various customer complaints. E-retailer can conclude from the customer expectation analysis and result that, offering acceptable return policies can be used to influence customer satisfaction that could in turn generate customer loyalty.

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APPENDICES

Definitions of Terms

Online Retailing Definitions

Internet retailing is referred to as web retailing, online retailing, e-tailing, e-retailing, e-commerce and virtual retailing (Francis and White, 2004), while different researchers define the term differently. According to Francis and White (2004), internet retailing is define as all the activities involved in selling goods or services via the Internet directly to final consumers for their personal, non-business use. However, it regarded as electronic commercial centers where consumers can purchase and access needed products and services from sellers with the use of internet facility without the interference of third party or intermediary activity.

Kolesar and Galbraith (2000) define internet retailing as, the sale of products and services to the consumer market over the internet. Online shopping is a technology-aided commerce that allows consumers in making direct purchase of goods or services through internet without service intermediary. Turban et al., (2002) defined pure e-commerce as a case where the product, the agent, and the process all digitized. In contrary to the above definition, not all transaction can be complete online, because certain type of goods has to deliver physically.

Internet retailing is defined as all of the activities involved in selling goods and services via the internet to final consumers for their personal, non-business use. Internet retailing definition is incomplete without considering customers; customers are people who purchase goods and services via internet for personal, non-business purpose (Francis and White, 2004).

Logistics Definitions

The Council of Logistics Management (1998), define logistics as the process of planning, implementing, and controlling the efficient, effective flow and storage of goods, service, and related information from origin to the point of consumption for the purpose of conforming to

customer requirements. Logistix Partners Oy (1996), Logistics is a business planning framework for the management of material, service, information and capital flows. It includes the increasingly complex information, communication and control systems required in today's business environment.

Reverse Logistics Definitions

According to Reverse Logistics Association (2009), reverse logistics is defined as all activity associated with a products or services after the point of sale, the ultimate goal to optimize or make more efficient aftermarket activity, thus saving money and environmental resources.

Rogers and Tibben-Lembke (1999), defined reverse logistics as the managing the insertion of goods into the reverse supply chain, collecting, sorting and grading return, developing a network of logistics providers to transport and process returned goods, refurbishment and or remanufacturing of selected goods, resale or reuse, and ultimately proper disposal. Rogers and Tibben-Lembke definition of reverse logistics still faces criticism since not all products are returned to its point of origin but to recovery point. According to Smith, (2005), reverse logistics is a mechanism in detecting causes of product return through effective handling and analysing return form that serves as feedback, while developing measures in handling and reducing future occurrence.

In wider perspective reverse logistics include all activities connected with logistics and used for reduce, recycling, substitution or reuse materials and final disposition. Dale and Ronald, (1999) defines reverse logistics as the process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal (Porter, 1985).

Reverse logistics is the movement of products or materials in the opposite direction for the purpose of creating or recapturing value, or for proper disposal (Grabara and Nowakowska); Tibben-Lembke and Rogers, 2002), so the reverse flows may include products or packing (Porter,

1979). It also includes activities as if processing returned products resulting from defects, high volume inventory, restock, asset recovery, outdate, and materials disposition (Elmas and Erdoğan, 2011). Reverse Logistics is defined as the management of returned materials from customers, including their restoration, reengineering, recycling, liquidating or disposal or waste in an environmentally friendly manner (Subramaniam, et al., 2004).

Reverse logistics is the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal. Reverse Logistics Magazine (2006), reverse logistics also includes processing returned merchandise due to damage, seasonal inventory, restock, salvage, recalls and hazardous material programs, obsolete equipment disposition and asset recovery. In addition, it is the process of moving goods from their typical final destination for the purpose of capturing value, or proper disposal. Reverse logistics is the process of moving product from its point of consumption through channel members to the point of origin to recapture value or ensure proper disposal (Schatteman, 2001).

Daugherty et al., 2002, reverse logistics provides companies with opportunities to differentiate from competitors. Customer's uses return chance in determining their prospect purchases from e-retailers that outperformed its rivals in return handling. Effective reverse logistics will help e-retailers in achieving long-term relationship with their potential and intending customers.

Service Quality Definition

Service quality is defined as controlling the variability in reverse supply chain transactional processes through the design and management of tasks to be performed, tangibles in the environment and the treatment of the customer (Prahinski and Kocabasoglu, 2005).

Service quality is defined as overall evaluation of specific service firm that results from comparing that firm performance with the customer's general expectations of how firms in that industry should perform (Parasuraman et al., 1988)