



Online Retailer's Return Policy and Prefactual Thinking:
A Cross-Cultural Study of U.S. and Chinese E-Commerce Markets

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Keywords: Retailer, e-commerce, return, China

Conceptual Background and Purpose Retail e-commerce significantly contributes to the world economy and is expected to surpass \$4 trillion in sales in 2020 ("Global retail e-commerce sales worldwide from 2014-2020", n.d.). Compared to brick-and-mortar shopping, consumers assume more risks when shopping online due to their inability to inspect or handle the product, lack of personal service, and delivery concerns (Levin, Levin, & Heath, 2003; Wood, 2001). The uncertainty of online shopping leads consumers to anticipate negative outcomes in their pre-purchase process. Thoughts related to alternative possible outcomes before the outcomes are known, are referred to as prefactual thinking (Sanna, 1996). Anticipated regret, as a result of negative prefactual thinking, can negatively influence the online retailers because it increases discomfort and decreases the likelihood of consumers purchasing intention (McConnell et al., 2000; Ritov & Baron, 1995). Return policies can minimize the inherent risk and anticipated regret of online shopping and increase consumers' purchase intentions. Pornpitakpan (2009) indicates option choice reversibility (which refers to whether the product can be returned or exchanged) on product can influence consumer's information processing and final purchase decision. Therefore, return policy is considered by both scholars and practitioners to be a complex topic and a critical success factor for online retailers. Return policy not only differs from one brand to another, but also from one country to another. Hofstede's uncertainty avoidance dimension (2001) can be used to interpret the differences in return policies across different cultures. Consumers in a high uncertainty avoidance country are more likely to engage in prefactual thinking and need lenient return policies to reduce their anticipated regrets. Brands may have different return policies in different countries and consumers in different countries may have different levels of acceptability to different return policies. For this study, U.S. and China were selected because they represent countries with differing uncertainty avoidance dimensions; uncertainty avoidance score for U.S. is 46 versus China 30 (Hofstede, 2001). This study examines how online fashion retailers' return policies differ based on country-of-business. In particular, we examine whether online companies for American consumers are inclined to be more lenient and address American consumer needs to avoid uncertainty and influence prefactual thinking compared to return policies for Chinese consumers.

Methods Content analysis was used to compare the return policies of brands doing business in the U.S. and China. Eleven brands (total of 19 return policy cases posted in the U.S. and China were analyzed (Table 1). The fashion brands were selected from "The top 100 fashion companies index" published by FashionUnited online on August 1, 2017. Mass-market fashion brands and premium fashion brands were chosen instead of luxury brands because luxury brands have a relatively narrow target market. A detailed coding guide was developed based on previous

literature on how consumers perceive return policies (Che, 1996; Wood, 2001). Items used to analyze return policies included refund time limit, return shipment, return restrictions, return documentation, refund method, return method, defective products return, capturing of consumer information, gift returns, return processing time, and placement of return policy on website. Using a coding guide refined through the data analysis process, the two researchers reviewed the contents of all 9 return policy cases in the U.S. separately achieving an interrater reliability above 90%. After U.S. return policy cases coding was completed, the primary researcher who is fluent in Chinese finished coding the remaining 10 cases of brands' return policies in China.

Table 1. Brand Country-of-Origin and Country of Business

		Country of Business	
		United States (9)	China (10)
Country of Origin	United States	T.J.MAXX, Nike, Coach, Gap, Michael Kors	Nike, Coach, Gap, Michael Kors
	China	Li Ning	Semir, Metersbonwe, Li Ning
	Western Europe	Zara, Adidas, H&M	Zara, Adidas, H&M

Results and Discussion Critical differences were found between online fashion retailers' return policies in the U.S. and China for *time limitation*, *return restrictions* and *return shipment*. All country-of-origin brands (U.S., China, and Western Europe) were more inclined to be liberal with time limitations for returning products in the U.S. Furthermore, both American brands and Western European brands were more likely to offer free shipment service in the U.S. compared to China. In regards to return restrictions, although the majority of brands treated the consumers in the U.S. and China equally, the return policies of the two biggest sportswear fashion brands, Nike and Adidas, did not offer consumers in China the same level of customer service. Furthermore, differences between the U.S. and China markets were found in *refund method*, *defective products return*, and *gift returns*. Online fashion retailers had more detailed return policies in the U.S. market compared to China. On the other hand, more brands operating in China offered extensive detail on what would qualify as "defective items" whereas online retailers operating in the U.S. offered extremely lenient return time and no extra conditions or requirements for returning defective products. Also, more than half of fashion retailers stipulate policies related to gift returns in the U.S. compared to no retailer mentioning gift returns in China. The detailed return policies observed in the U.S. (with the exception of defective items) are consistent with Hofstede uncertainty avoidance dimension which shows cultures characterized by strong uncertainty avoidance may require more information to make decisions. In addition, uncertainty in the U.S. market is reduced by more generous return policies and customer service. The difference in the two cultures' attitude toward gifts were evidenced; returning gifts is socially acceptable in the U.S. whereas it is regarded as an impolite in China. Considering the lack of cross-cultural research in the return policy area, future research on the consumers' perspective of return policies within the two cultural contexts is recommended.

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