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Customer Returns in E-commerce

Jyväs-Caravan Oy

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Bachelor's thesis
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Abstract

Shopping online has revolutionized the way people purchase products. It is a constantly growing industry and there is not many products or items one can't order online. This creates a lot of opportunities but with opportunities come challenges. Customer returns are more and more frequent in the world or e-commerce. It has a huge impact in companies' costs and there for many are trying to figure out ways to combat this issue.

Objectives of this research was to find the main reasons for customer returns at Jyväs-Caravan's online store and how to reduce them. Data was gathered from customer return forms the customers at Jyväs-Caravan are asked to fill. These forms were then analyzed to figure out the main reasons for their customers to return products they have ordered.

It can be determined that the research successfully identified the main reasons for online customer returns at Jyväs-Caravan Oy. Research shows the necessity of high quality product descriptions. There is a clear link between product descriptions and customer returns, therefore improving product descriptions will substantially lower the amount of customer returns.

Keywords/tags (subjects)

E-commerce, Customer returns

Miscellaneous (Confidential information)

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Contents

Figures

1 Introduction

E-commerce is growing business with lots of opportunities. With opportunities come challenges and one of these challenges is customer returns. Returning products bought online has become a norm and can be very costly for businesses. Many businesses gather data regarding their customer returns to find the main reasons behind them. With the gathered data businesses can analyze it and act accordingly in order to reduce the amount of customer returns.

This research was done for one of the leading caravanning companies in Finland called Jyväs-Caravan Oy. They sell new and used motorhomes and caravan trailers. They have brick-and-mortar store where they sell all kinds of spare parts, accessories, and utensils. These products can also be bought from their online store. Like other online-stores Jyväs-Caravan Oy get customer returns. In this research the goal is to to find the main reasons for customer returns and how can the amount of customer returns be reduced. The two research questions are as follows:

1. Why do customers return their orders purchased online?
2. How can you reduce the amount of online customer returns?

The data is gathered from return forms the customers are asked to fill when they want to return a product they have ordered. The statistics are then analyzed to unveil the main reasons for customer returns at Jyväs-Caravan Oy, making this quantitative research. With the help of literature on the subject methods of reducing the amount of customer returns are found. Suggestions will be presented on how to reduce the amount of customer returns for Jyväs-Caravan Oy.

2 E- Commerce is a Growing Industry

E-Commerce is continuously increasing in popularity which inevitably increases the amount of customer returns. Customer returns create huge sales and logistics losses; therefore, it is a key challenge for companies to tackle. Before companies are able to create an efficient return process, they need to understand the main issues that customer returns create (Jack, Frei, Dr Krzyzaniak, N.D)

There are two key problem areas in the supply chain when it comes to returning goods. First problem area is B2B returns. This means the returns that are made from a retailer to their supplier. The other problem area is B2C returns. This is when the end user of the product returns the item back to the retailer (Liang & Burmeister, 2016.)

Retailer's main function in a supply chain is to provide the end customer with various types of products collected by different suppliers. A retailer is the last link in a supply chain therefore they are directly in contact with the end user and affected by the changes with customer expectations about products or services (Liang & Burmeister, 2016). Performance of the supplier also affects the retailers which creates a differing position for the retailer when compared to other members in the supply chain. As mentioned, retailers connect suppliers to end customers therefore they need to have dialogue with both parties to solve issues with customer satisfaction. This can occasionally be very time consuming which creates financial losses (Liang & Burmeister, 2016).

The figure below gives the viewer an idea of what different elements are exchanged between a retailor and its suppliers and customers. Materials naturally in this circumstance means products which are transported between the retailor and the two other members either as purchased orders or as returns (Liang & Burmeister, 2016). Since retailors connect suppliers and end users, they have to have a continuous exchange of information between the. This is very time consuming and modern companies are trying to create policies that make the exchange of information efficient and productive. Money in Figure 1 represents the transactions made by retailer or customer when an order is made. These transactions can naturally be reversed in case of dissatisfaction of the product therefore money will be returned to the customer or to the retailer from its supplier (Liang & Burmeister, 2016).
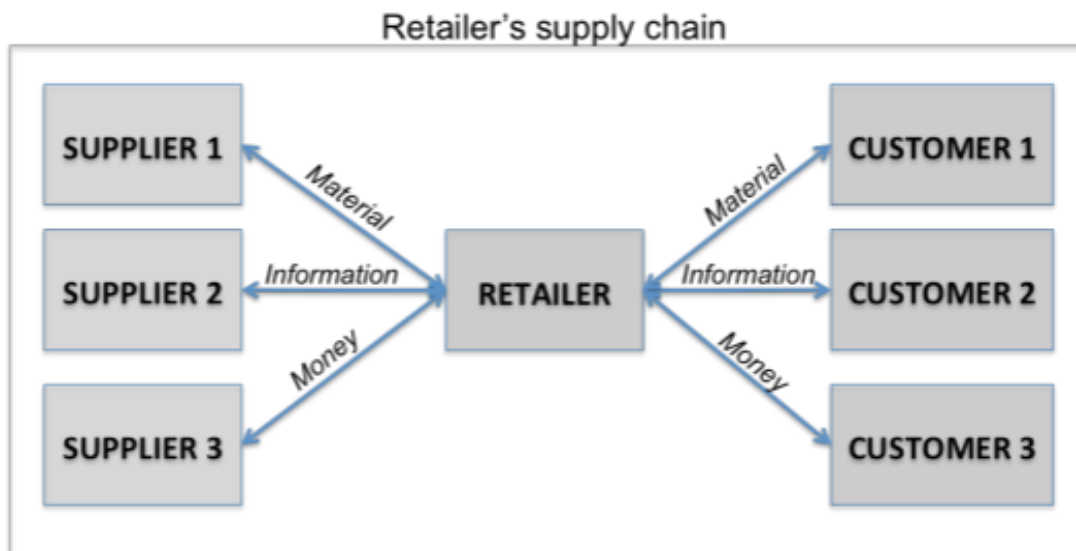
Figure 1 Retailer's Supply Chain

3 Research Methods

Research methods show how data is gathered and analyzed. Analyzing primary and secondary data gives a deeper view into customer behavior when returning products from e-commerce. Qualitative and quantitative are proven research methods (Research methods: Definitions, types, examples N.D)

3.1 Primary Data and Secondary data

Today data is becoming increasingly accessible to researchers everywhere, therefore utilizing secondary data has become more common, when compared to primary data. However, questioning the authenticity of secondary data has also become a common phenomenon in today's world. Both types of data have its advantages and disadvantages, therefore it is up to the researcher to weigh the factors and determine which type of data suits better (Primary vs secondary data:15 key differences & similarities 2020.)

Primary data

Primary data is collected directly from a data source, without using existing sources. Data is collected mostly for particular research and can be made public in order to be used for another re-

search. Primary data can be collected in the form of surveys, interviews, or observations of information. The data is authentic and reliable, and the goal of the data is to answer a particular research question (Primary vs secondary data:15 key differences & similarities 2020.)

Primary data is targeted to fit the needs of the researcher during the moments when collecting data. Unlike secondary data, primary data is not subjected to personnel bias, therefore making it trustworthy and authentic data. Primary data is often up to date because it collects data real-time and does not use old sources of data. Another advantage is that the researcher has full control over the data collected through primary research. They can decide what method, design, and data analysis techniques should be used (Primary vs secondary data:15 key differences & similarities 2020.)

Primary data also has its disadvantages. Compared to secondary data, primary data is expensive to collect. It is also very time-consuming way of collecting data. Also, in some circumstances primary data is not feasible to collect because of its complexity and required commitment (Primary vs secondary data:15 key differences & similarities 2020.)

Secondary data

Secondary data is data that has already been collected in the past and made available for the public to be used. It is usually primary data that has been collected by a third party therefore making it secondary data. Secondary data is often easily accessible to researchers and individuals because they are mostly made public. This data, however, is more general and is not necessarily specific to one's research in the way as primary data is. For example, in a research thesis, researchers need to refer to past works done in the same field and add findings to the literature review. Definitions and theorems that are added to the thesis need to be correctly referenced and cited properly. Common sources of secondary data are trade publications, journals, government statistics and so on (Primary vs secondary data:15 key differences & similarities 2020.)

A clear advantage when compared to primary data, secondary data is easily accessible. It is accessible on multiple different platforms that can be accessed by researchers. Secondary data is often very affordable since the data is often free. Also, time used to gather secondary data is much less

than the time that needs to be used when collecting primary data. Longitudinal studies are made possible to be carried out without having to wait for a long time to draw conclusions with secondary data. Secondary data helps to create new viewpoints into existing primary data (Primary vs secondary data:15 key differences & similarities 2020.)

There are some disadvantages that need to be considered when using secondary data. Secondary data is not always authentic and reliable. Researchers need further verifications of the data that is collected from available sources. Researchers might need have go through irrelevant data before finding the data that is required and secondary data might also be exaggerated due to personal bias of the data source. There is also a risk that the secondary data is outdated and finding new data can become an issue (Primary vs secondary data:15 key differences & similarities 2020.)

3.2   Qualitative Method

Qualitative research contains collecting and analyzing data that is non-numerical. The goal is to understand opinions, concepts, or experiences. It can be used to collect deep insights into an issue or create new ideas for research. Qualitative research is opposite to quantitative research, where you collect numerical data and statistics and analyze them to do research. Qualitative research is commonly used in sectors such as humanities and social sciences as well as in sociology and health sciences (Bhandari, 2023.)

Research methods

Qualitative research is used to comprehend how people view the world. There are multiple ways to of approach when it comes to qualitative research. They tend to be flexible and focus on retaining a full understanding when analyzing data. Common approaches are grounded theory, action research, ethnography, phenomenological, and narrative research. All of these approaches have some similarities but they all have different aims and perspectives (Bhandari, 2023.)

There are five common ways of collecting data in qualitative research (Bhandari, 2023):

1. **Observations:** This entails recording what you have seen, heard, or encountered and writing them down in detail.

2. **Interviews:** Asking questions in a conversation between two people while taking down detailed notes of the responses from the subject.

3. **Focus groups:** Asking questions and creating discussions within a group about a certain topic or situation.

4. **Surveys:** Create questionnaires with open-ended questions and distributing them.

5. **Secondary research:** Gathering existing relevant data for your research in the form of texts, video/audio recordings, or images

3.3 Quantitative Method

Quantitative method is a process of gathering and analyzing numerical data. The gathered data can be used to find patterns and averages, make predictions and generalize to a wider population. Quantitative research method is commonly used in natural and social sciences, such as , biology, chemistry, economics, sociology and marketing (Bhandari, 2023.)

Research Methods

One can use quantitative research methods for correlational, descriptive, or experimental research. In correlational research, you look at relationships between your study variables. Descriptive research on the other hand is used to seek an overall summary of your study variables. Finally, in experimental research you systematically study whether there is a cause-and-effect relationship between the variables (Bhandari, 2023.)

Experimental and correlational research are both used to formally test hypotheses or predictions by using statistics. The results are then generalized to a broader population based on the sampling method used. Collecting quantitative data it usually you need to use operational definitions that translate abstract concepts into observable and quantifiable measures (Bhandari, 2023.)

There are four common ways of gathering data when using the quantitative research method.

1. **Experiment:** Manipulating independent variables in an controlled environment to measure its effect on a dependent variable. For example, to test if an intervention will reduce procrastination in college students. One gives equal-sized groups either a procrastination intervention or a comparable task. Then you can compare self-ratings of procrastination behaviors between the equal-sized groups after the intervention.

2. **Survey:** Asking questions from a group of people. The questions can be carried out via phone, online or person to person. For example, one can distribute questionnaires with rating scales to exchange students to examine their experiences of culture shock

3. **Observation**: Identifying an occurrence or a behavior of interest and monitor how it acts in its natural environment. For example, sitting in on classrooms and following the behavior of students. Then counting and recording active and passive behaviors of the said students.

4. **Secondary research**: Collect data that has already been gathered for other purposes and research. For example, collecting vastly available longitudinal studies of how people's attitudes towards climate change have changed since the 1990's.

3.4 Mixed Method

Mixed method is form research which combines elements of both quantitative research and qualitative research. Mixing the two is an essential step in this research approach to link data or integrate at an appropriate time in the research process (Shorten & Smith, 2017.) Focused data integration allows researchers to seek a more panoramic view of the research. Mixed research method helps create a broader and a more complete picture than just using either qualitative research or quantitative research. This is because the research process is examined from multiple different perspectives. Behavioral, social, and health sciences frequently use the mixed method, especially in a multidisciplinary setting (Shorten & Smith, 2017.)
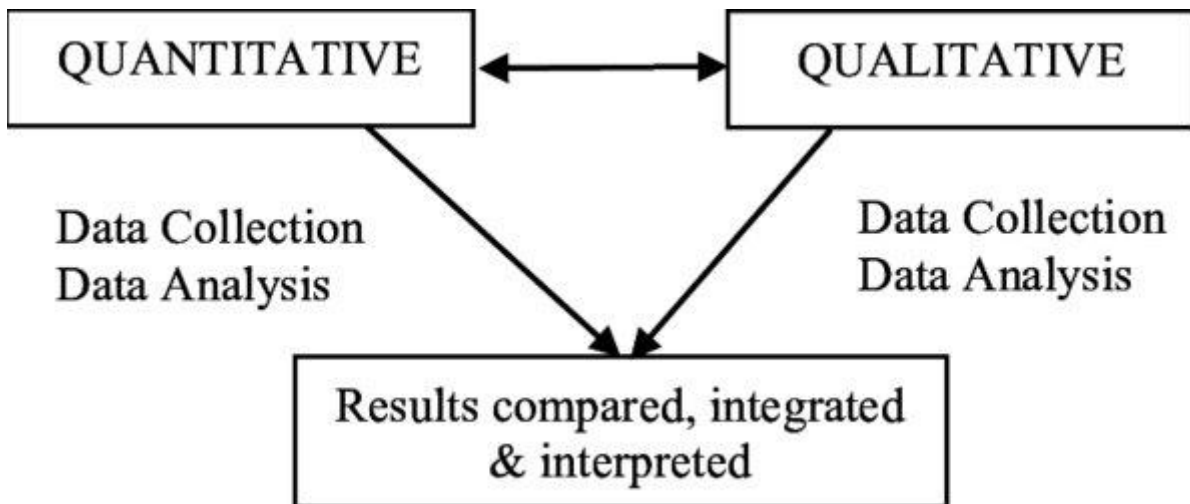
Figure 2 Visualization of the Mixed Method
(https://www.researchgate.net/publication/280860447_A_Student_Retention_Model_Empirical_
Theoretical_and_Pragmatic_Considerations/figures?lo=1)

When to use the Mixed Method

Mixed method research might be the right form of research if it is recognized in the research process that only quantitative research method or qualitative research method is not enough to answer the research questions. There are multiple reasons to consider using the mixed method. One of the main reasons is generalizability. Due to smaller sample sizes, qualitative research is not generalizable. With mixed method research this dilemma can be solved with the usage of quantitative research (George, 2022.)

Another reason to consider the mixed method is contextualization. When mixing the two methods, data can be put into context easier and create value and detail to the conclusion of the research. Utilizing qualitative data to demonstrate quantitative findings help create a stronger base for one analysis. Finally, using the mixed method adds credibility to the research. Using different types of methods on the same subject can improve the credibility. If quantitative and qualitative data converge, it can validify conclusions of the research. This process is also known as triangulation (George, 2022.)

Advantages and Disadvantages of the Mixed Method

Combining qualitative and quantitative data is beneficial to the research because of the detailed, contextualized insights of the initially mentioned method and the generalizable, externally valid insights of the later mentioned method. The strengths of one data collecting method usually mitigates the short falls of the other. Studies that only use quantitative method of struggle to include the lived experiences of the participants of the research, therefore including qualitative data excavates the quantitative data. Yet, solely using qualitative data creates a problem that the data is not very generalizable because it is only reflecting the experiences of the participants in the studies, therefore including quantitative data can validate the findings of the research (George, 2022.)

Another advantage of the mixed method is its flexibility. Mixed method is not as tied to customs and established research standards as just one specific research model. They allow more flexibility in the designing stage of the research, since combining aspects of different research methods to create the most informative results. Mixed method research allows one to combine theory generation and hypothesis testing in one single study. This concept is unusual for researches that only use either qualitative or quantitative research method (George, 2022.)

There are disadvantages as well when discussing the mixed method. One disadvantage is the workload that comes with the mixed method. The research method can be very intensive for a workload point of view. Having to collect, analyze and synthesize two different types of data into one sole research is a time consuming process and often requires more than one researcher. Therefore, the research has a potential to be more expensive than researches the use standalone research methods (George, 2022.)

Another disadvantage is the potential of getting differing or conflicting results in the research. If the analysis of the data reveals contradicting traits it can be challenging to interpret them in a mixed method research study. If the qualitative and quantitative results do not match or concerns raise that there are confounding variables, it can be unclear on how to proceed with the research. Quantitative and qualitative data are two very different forms of research in can sometimes be difficult to determine on how the results can be systematically compared (George, 2022.)

4   Importance of Collecting Data on Customer returns

Lack of data on reasons why products are returned means missed opportunities when trying to reduce the rate of returns and improve the return process. Customers return items for multiple different reasons, but three main reasons cover 99% of why products are being returned (Jack, Frei, Dr Sally-Ann Krzyzaniak.) First reason is that the customer has changed their mind on wanting the product. Second reason is that the customer gets a wrong size, color, or entirely wrong product. This includes situations like picking errors or that the retailer received a wrong product from its suppliers. The third and final main reason for customer returns is that the product is faulty or damaged. Customers tend to use these terms as interchangeably even though there is a distinctive difference between the two. If a product is faulty, it is a manufacturing problem and if it is damaged this could have occurred somewhere in the supply chain or possibly by the customer. This is important when retailers claim for a refund from their supplier (Jack et al., N.D.)

It is crucial for retailers to understand the reasons behind why a product is returned. Companies can determine possible issues with the product, therefore being able to act accordingly to solve it. For example if the description of the product in their online store is not accurate enough this will cause unnecessary returns. Same example can be given for the picture of the product in the online store. It is important to give the customer the best possible knowledge of the product before they purchase it. When a product is returned it doesn't always imply that there is something wrong with the product (Jack et al., N.D.)

Customers make poor purchasing decisions occasionally and by doing so they return the product and might claim that it is faulty. A report was written by Lisa Jack, Regina Frei and Dr. Sully-Ann Krzyzaniak, where they interviewed multiple retailers about their return data. According to one of the interviewees, the products that were returned as faulty only 30% of those products were faulty. The interviewee was suspecting that this is due to a tactic called "wardrobing" which people tend to use when they shop online. Wardrobing in the context of e-commerce means that a customer orders multiple same or similar product in for example different sizes, and in the end, they only needed one and then return the rest. Customers tend to hide the practice of wardrobing by claiming that the item is faulty. It is difficult for the retailer to challenge the truthfulness of the customer because sometimes faults can be intermittent. What makes the situation even more

difficult is that good customer service is seen as a priority when compared to cost control (Jack et al., N.D.)

By understanding the reasons behind why the customer wanted to return the product companies will quickly be able to decide on what to do next with the product. Retailers have to decide what the best possible course of action is to achieve an outcome with the least possible financial loses. A retailer can claim for refund from its supplier if the product is faulty (Jack et al., N.D). Another possibility is to market the product as B-stock and put it on resale with a reduced price. A third possibility is to dispose the product. In this case however the retailer should analyze what the issues with the product are and consider if the product should be dropped from their selection (Jack et al., N.D.)

5   Challenges with E-Commerce Customer Returns

Majority of retail businesses are using online platforms to increase sales and meet customer expectations. Many offer free deliveries and free returns which have proven to be drivers for increasing online sales (Jack, Frei, Dr Sally-Ann Krzyzaniak). For instance, Bower and Maxham discovered that customers having to pay for returns decreased their future spendings with the same business by 75-100% after a two year period. Interestingly enough, the same research found that customers that got free returns increased their spending by 158-457% (Jack et al., N.D) Understanding the customer is one of the most important factors for any company in both e-commerce, and brick-and-mortar cases. Knowing what motivates your customer allows you to create a efficient strategy for forming a virtuous relationship them. Also, knowing what products your customers like and dislike as well as, knowing why they return some products is essential. (Cannon, 2019).

The fundamental issue when it comes to customer returns is the lack of knowledge of the costs this process creates. Even a minor reduction of the return rate can have a substantial positive impact on profitability. Studies have shown that by improving the return rate by just five (5) percent as an average company, the net margin will improve by 200 basis points (Jack et al., N.D). The figure below shows average customer return rates when comparing e-commerce to brick-and-mortar stores.
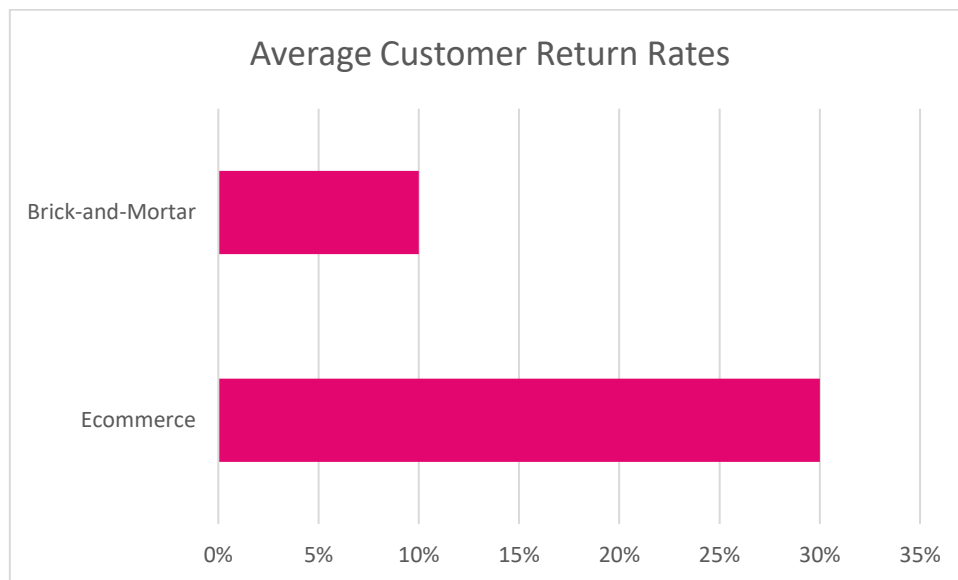
Figure 3 Average Return Rates (https://clevertap.com/blog/ecommerce-return-rate-statistics/)

6   Reasons for Customer Returns

Customers return 30% of online purchased items, while only 8-10% of items were returned when they were purchased in-store, according to CBRE's forecast done in 2020 (Valdellon, N.D.). One of the core reasons for the vast difference between the percentages is that a customer who makes an in-store purchase can personally examine the product. When the customer can examine the product, they can touch and try the product before making a decision to purchase the said product Customer ordering the product from online is completely dependent on the product description (Valdellon, N.D.). While there are numerous reasons why a customer wants to return a product they purchased online, there are 6 more common reasons for a customer return. The figure below shows the mains reasons of customer returns in e-commerce

As can be seen from the figure below, reasons for online customer returns can be put into six different groups. 30% of products purchased online get returned because the products are damaged. The product might get damaged during transit, or it might be already damaged before it is sent. In this case the customer often wants the product to be replaced or refunded (The secret process of handling ecommerce returns N.D)

Figure 4 Main Reasons for Customer Returns

According to statistics 27% of products that are purchased online are returned because the product is not as described on the website. As previously mentioned, when a customer purchases products online, they are dependent on the description and the image of the product given on the website. This leaves a chance that the product is not what the customer expected when they receive the product. In this case the customer wants to return it and get a refund(The secret process of handling ecommerce returns N.D.)

Poor quality of a product is the reason for 27% of customer returns. Naturally a customer wants to return a product if they find that the product is poor quality. This is a problem particularly for drop shipping operations because there is no quality check before the product arrives to the end customer (The secret process of handling ecommerce returns N.D.)

Some customers order more than one of the same products which leads to customer returns, 20% of products are returned because of this phenomenon. This is a problem especially in categories such as clothing and footwear. The customer orders multiple different sizes of clothing or footwear and then return the ones that do not fit. This is an increasing customer behavior which hurts profitability of the company (The secret process of handling ecommerce returns N.D.)

Issues with delivery cause 18 percent of customer returns. There are multiple things that can go wrong with shipping which causes the customer to want a refund. For example too long delivery time or difficulty to reach the customer in general can be the cause for customer to want to cancel the purchase. Overseas shipping can often cause these issues as well as taxes, duties and other bureaucracy for a customer to want a refund (The secret process of handling ecommerce returns N.D.)

Sometimes customers simply change their mind on wanting or needing the product and they return it either wanting a replacement or a refund. In this case often the company can only issue a refund to the customer. 17% of customer returns are documented to be because of them changing their mind on wanting or needing the product (The secret process of handling ecommerce returns N.D.)

6.1   Faulty and Damaged

Damaged products are an unavoidable expense in business, according to ShipBob's Kristina Lopienski. Although products can be faulty even before shipping, shipping itself increases the risk of the product getting damaged. When the product is in transit it faces numerous risks of being damaged, such as improper handling by the shipper, water exposure, and multiple other possibilities that could impair the order (Lopienski, 2020). This can be very frustrating for the retailer because often it is out of their control and it can affect customer satisfaction as well as it can be expensive especially with high-quality products. The expenses that come with goods being damaged during transit come from many different sources. The costs of returning a damaged item are as follows; shipping costs for returning the damaged item back to the merchant as well as shipping costs of sending the new product to the customer. Additionally the cost of having an unsellable item in inventory (Lopienski, 2020.)

Lopienski lists the most common causes of shipping damages. One of the reasons is that there is too much empty space in the package. If the box is much larger than it needs to be the product most likely will jostle around inside the box, which increases the risk of the product from being damaged. This is also a waste because the larger the box the more packaging material it needs as well as carriers usually charge based on the size of the package. If the package is needlessly big for

the product the carrier will charge more because it will take more space from the delivery truck (Lopienski, 2020)

Lopienski says that the second common reason is for products damaging during transit is that there is not enough cushioning material inside the package. Not every package requires some type of filler although having cushioning to guard the product will most likely reduces the chances of the product breaking I transit. The dunnage used depends on the products that are being shipped. Like mentioned before the dunnage doesn't only protect from blows to the package it also keeps the item from moving inside the box (Lopienski, 2020)

Improper handling is a common reason for items breaking in transit. The package will be handled by numerous people before reaching its final location. Not all of these people will handle the product properly. Not even boxes that are marked "fragile material" will always be treated with care (Lopienski, 2020.)

Water and humidity damages are also common, says Lopienski. Temperature changes or harsh weather can lead to damages during transit. In addition packages may be left outside the home of the recipient therefore the package is vulnerable to the elements. Frequent changes in temperature and humidity inside containers or trailers can cause excessive condensation. When this occurs it may lead to corrosion, warping or mold that may ruin the product. Desiccants should be considered if the shipment passes through different types of climates during transport (Lopienski, 2020.)

Theft isn't considered as damaged goods but it still results in replacement costs for the business. The package could be stolen during transit but more often the theft happens after the package has been delivered. In most cases the merchant is liable for stolen goods (Lopienski, 2020.)

6.2   How to Reduce the Risk of Products Damaging During Shipment

Lopienski sees 7 different ways of reducing the risks. Firstly choosing the right sized box is crucial. The box should only be slightly bigger than the item that is being sent. The closer it is to the size of the item the better. Lopienksi also says that there should be enough space for dunnage to keep the item from moving around in the box. Secondly each item should be wrapped. If the product

being shipped is fragile, it should be wrapped. Knowing what type dunnage to use is essential (Lopienski, 2020.)

During transit packages may endure tough environmental conditions, in phases like sorting facilities, trucks, ships or other vehichles (Callarman, 2019.) There are three main objectives that dunnage is made to fulfil. Firstly, dunnage protects packages when they are moving around in trucks, ships, or trains. Effective dunnage can be extremely affordable, and it can protect valuable and fragile products. Secondly dunnage can protect against moisture. Varying on where the products are shipped, moisture may damage the products. With the correct dunnage one can protect products that are vulnerable to moisture such as electronics (Callarman, 2019).

Lastly, dunnage is used to absorb any shocks that the package might endure during transit. According to Callarman packages can be dropped, slide around, get squished, collide with something, or be subject to vibrations during transit. Dunnage is put in the package to absorb the shocks from these types of events (Callarman, 2019.)

Callarman lists 9 common types of dunnage.

1. **Solid plastics:** Most used in industrial, high value shipments. Solid plastics are more expensive option than other types of dunnage. However it is worth it when it comes to shipping high-value items that need to be protected.
2. **Bubble wrap:** One of the most common ways to protect glass or other fragile objects during shipment. Bubble wrap can be reused many times as long as the bubbles contain air in them.
3. **Wood:** Used to create barriers between products and is usually used with heavy and firm items.
4. **Air pillows:** Used to keep items from sliding inside the package. Most often used to fill up empty space inside a package
5. **Kraft paper:** This type of paper is scrambled and stuffed into a package. It is one of the most commonly used dunnage because it is affordable, environmentally friendly, reusable, and efficient.
6. **Foam:** This is commonly used to pad electronics, medical equipment, sharp items, and other sensitive items.
7. **Steel:** One of the most expensive dunnage used. Typically steel is used for high-value shipments, especially if the shipment is heavy.
8. **Corrugated paper:** Its structure allows the material to carry a wide range of variable weights. Also good at protecting against moisture.
9. **Custom dunnage solutions:** With very specific and high demanding products there is a possibility to design a correct type of dunnage.

According to Lopienski trial runs should be made if one is working with a new carrier. This shows if the parcels make it without being damaged. Packages containing fragile items should be marked with a "fragile" label. Putting labels on each side of the packages helps the label being detected so the person handling the package can act accordingly. In addition affixing shock or tilt indicators into the package being shipped. This helps show where the damage has happened and also the carrier may be informed to be more careful (Lopienski, 2020.)

Finally, collecting and reviewing data on shipping damages is crucial when it comes to preventing them in the future, according to Lopienski. Data about every damaged package including what type of damage was acquired, how the damage happened and then take steps to prevent the same type if damages occurring in the future (Lopienski, 2020.)

6.3   Product not as Described

Too often online stores use one or two sentences to describe a product, which does not really tell much about the product. (Verkkokaupan tuotekuvaukset [10 Vinkkiä Kirjoittamiseen] 2022.) The thought behind it usually is that good pictures will sell instead of the text itself The idea is that the customer already knows the product they are looking for and do not need more information about the product and that they will contact the seller if they need more information. The lack of text in the product description can also be because of lack of time. (Verkkokaupan tuotekuvaukset [10 Vinkkiä Kirjoittamiseen] 2022.) However, before people make a decision on purchasing a product, they gather information on it and therefore it has a direct influence on the sales. With a good product description, a company can reduce the amount of customer returns and reduce the amount of needless inquiries on the product. A good product description also forms trust between the customer and company (Leväinen, 2023.)

It is essential for a e-commerce store to have eye-catching and noticeable images of the product. According to studies and researches people remember 65% added information if they see a picture aside it. (*Why buyers pushed away due to poor quality images on your e-commerce website* 2023.) Have top quality images and videos from multiple different angles to mimic as if the customer is observing the product in-store. Various brands have 360 product viewer that is interactive pictures that allows customers to view the product from every single angle (Sissi, 2023). However an e-commerce store should take at least four pictures of each of their product. The pictures

should be taken from the front, both sides and from behind (*Reduce returns: Ecommerce business* 2023.)

An insufficient product description will not provide the essential information that a customer needs to know about the product and might steer the customer to buy the product from competitors. Furthermore, if important information is missing or the information is incorrect there will be more customers looking for refunds because they did not get what they expected (Henry, 2021). Product descriptions should include relevant specifications that a customer would most likely be interested in. These include information such as size, material, color, and weight (Pool, 2022)

Product dimensions help identify product variants that help customers make decisions concerning their purchase of the product (De Leon, 2021). The dimensions include height, width and depth. There is not one single standard that is universally used by all websites to display the dimensions, however websites often use the order Length x Width x Height (De Leon, 2021). The picture below shows how Apple displays the dimensions of one of their products.
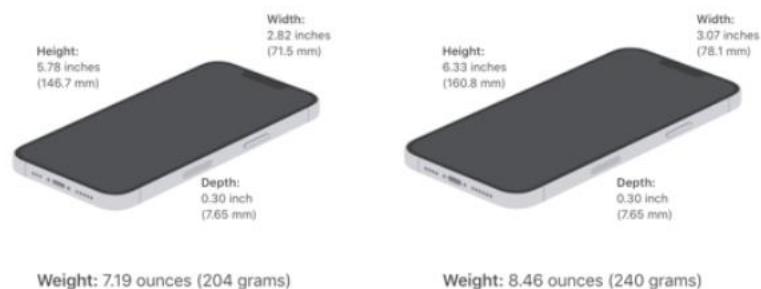
Figure 5 Dimensions of one of Apple's products (https://www.unstack.com/6-product-description-mistakes-that-are-costing-you-sales=)

When selling products of a third party they usually have their own product description ready. Many e-commerce companies copy paste these descriptions and use them on their own website. This however can work against the online store due to Google and other search engines. The search engines will penalize the company for having an exact same product description as on another site. The online stores web page will rank lower in the search results and therefore reach less customers (Henry, 2021)

6.4 Poor Quality Products

Often e-commerce companies have a tough time maintaining consistency of their product quality. If the consumer receives a product which they see as poor quality, they will most likely return it back to the merchant. Additionally, it raises the probability that the consumer won't do business with the same e-commerce company in the future, unless the product is replaced swiftly. (*E-commerce returns in e-commerce* 2023.)

Quality of the products that are sold by an e-commerce company is a reflection to the entire brand of the company (Havens, 2018). Repeat sales are vital when it comes to e-commerce. If the products being sold are satisfactory to the consumer the probability that they will return to make more purchases increases. In addition, they are more likely tell their family and friends which is free word of mouth advertisement for the company. How does one define product quality (Havens, 2018):

- **Durability**: how long of a time the product will perform it's function
- **Completion of needs**: whether the product solves the customers problem it is set to solve.
- **Cost versus needs**: cost of the product compared to its need and the quality of the problem that it is set to solve for the customer.
- **Safety:** The consumer is comfortable using the product for the task it is meant to be used for.
- **Usability:** how easy if the product to use
- **Effectiveness**: the capability of the product to save the consumer money or time.

A global survey of the TÜV SÜD Safety Gauge 2017 showed that 71 percent of the consumers are willing to pay more for better quality. This proves that quality impacts whether the customer makes the purchase or not. It also shows that the e-commerce company won't put itself at a dis-

advantage if they charge higher prices for quality products. E-commerce should be sourcing high quality products that meet or exceed their customers expectations (Havens, 2018.)

6.5 Issues with Delivery

Orders can be delayed due to unseen shipping problems or supply issues. As much as 45 percent of consumers say that they are unlikely to continue ordering form the same company after one case of late delivery (Fox, 2022). E-commerce companies should find a reliable shipping carrier to take care of their shipments. Find a carrier that can get your deliveries delivered safely and on time. Make test shipments with carriers can show if the carrier is a trustworthy and a reliable party to co-operate with (Fox, 2022)

Clear communication and transparency may help reduce the frustration of the customer, especially in instances where the delivery time is out of your control (Fox, 2022). The e-commerce company should give rea-time updates to its customers about their orders, preferably via tracking numbers so that they are aware of the time frame their order will be delivered.

Online stores should also overestimate their delivery times so that they do not make a promise that they can not keep. Even though fast delivery times are appealing to consumers, knowing when they will receive the product is more relevant (Fox, 2022). If the shipment does get delayed, let your customer know immediately. It is essential that the consumer knows the truth about their shipment. Offering customers whose orders are delayed free gifts will raise the probability of retaining customers who might leave due to the delay (Fox, 2022)

6.6 Customer No Longer Wants the Item

It is very common that customers might change their mind and return a product they have ordered (Fox, 2022). Customers occasionally receive their order and change their mind either not liking the product or they don't have a need for it anymore. Shopping online can often be more impulsive than shopping in a normal brick-and-mortar stores. Customers are more prone to order products or items they do not need because buying online has become so easy with it requiring only a few clicks (Fox,2022)

E-commerce companies need to have a clear return policy. Under what conditions are customers allowed to return their order, how long does of a time does the customer have to make a decision if they want to keep the product or not as well as what products are eligible for returns. Companies should also make it easy for customers to find their return policy on their website (Fox, 2022). It should be clearly displayed on product pages as well as at the checkout page. It should also be included in the confirmation email (Fox, 2022). The picture below displays what the return policy should answer.

Questions to Answer in Your Return Policy

- Are there any additional fees?
- What condition do items need to be in?
- What are your brand values?
- What types of returns do you offer?
- How long do customers have to return items?
- How does the return process work?

RETURNGO

Figure 6 Questions that a return policy should answer (https://returngo.ai/7-common-return-reasons-and-how-to-prevent-them/)

6.7 Customer Ordered Wrong Product

Customers often order the wrong product (Cannon, 2021). Reasons maybe that the product ordered is not compatible with the device they already have, or the replacement part is for a different model. In these cases, the customer understandably wants to return the product because they have no use for it (Cannon 2021).

To reduce the amount of returns due to this reason, the online store should make sure that items with compatibility concerns, display it clearly in the product description, preferably at the top of

the page (Cannon, 2021). In addition, there should be a clear list of compatible items that are easily found by the consumer.

Online stores should offer a convenient exchange process to promote customers to switch the misfitting product with the right one instead of just reimbursing the customer. Making an exchange is a win-win situation for the company and the customer. The customer gets the right product which they need and the company does not lose a sale (Fox, 2022). The figure below shows benefits of both refunding and exchanging product with customer.
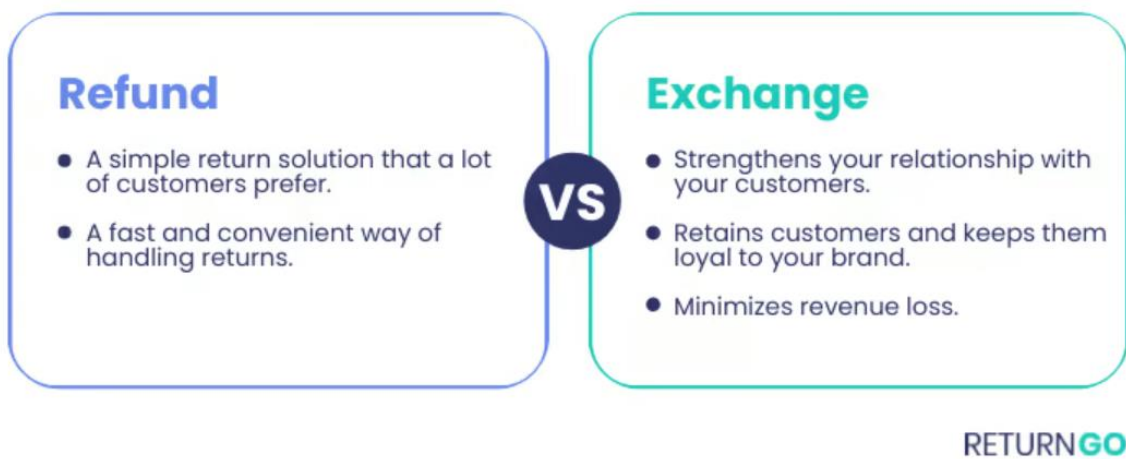

Figure 7 Benefits of Both Refunding and Exchanging Product (https://returngo.ai/7-common-return-reasons-and-how-to-prevent-them/)

7 Case Jyväs-Caravan Oy

It is essential for online stores to keep data of customer returns and the reasons for them. Many e-commerce businesses do this and so does Jyväs-Caravan. Customer returns cause more work and therefor create extra costs. Decreasing customer returns will save time and money as well as increase customer satisfaction because they get the product they wanted on the first try.

Customers at Jyväs-Caravan Oy are instructed to fill out a return form if they wish to return a product or products they have purchased. In the return form the customer fills details such as first name, last name, and order number. With these details Jyväs-Caravan Oy is able to identify the

order that is in question. Bank account number can also be added in case the refund has to be done via bank transaction, and finally the number of the product they want to return. There is a spot where the customer can tell the reason why they want to return the item if they choose to.

Occasionally returns are also done through phone calls and via email. In this research primary data was collected straight from Jyväs-Caravan Oy return forms. One hundred (100) of these return forms were gathered. With this quantitative method one can see the main reasons for customer returns. The most recent 100 return forms were chosen for the research, from latest to oldest. This was done to get the most current data available for the research. It was important to get as updated information as possible to locate the current trends for product returns in Jyväs-Caravan's online store. The returns were split into six categories which were chosen based on data that was gathered in the literature review. The six different categories were as follows.

1. Fault or damaged
2. Not as described
3. Poor quality
4. Does not fit/ ordered wrong product
5. Issues with delivery
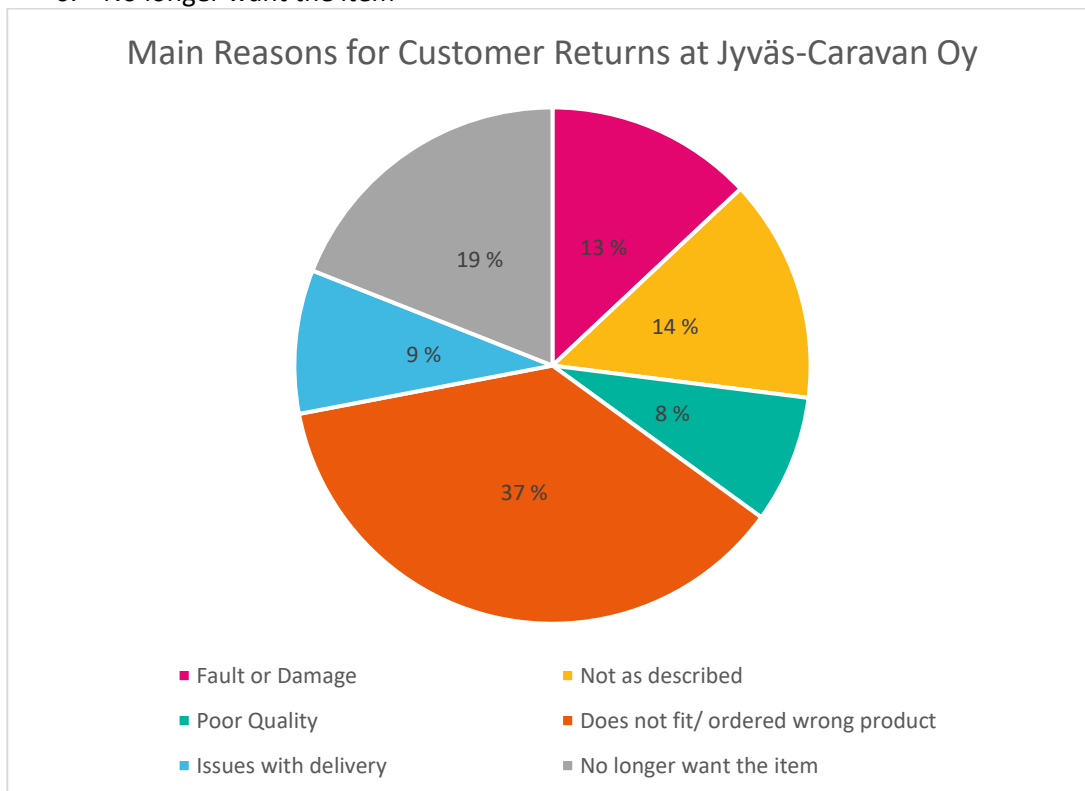6. No longer want the item

Figure 8 Main reasons for Customer Returns at Jyväs Caravan Oy

7.1 Does not fit/ Ordered wrong product

From the data gathered it was determined that 37% of products returned did not either fit or the wrong product was ordered, which is a substantial amount. With 37% it is the main reason why products are returned at Jyväs-Caravan Oy. However, this could consist of orders where a customer in fact received a different product than they ordered.

The figure below is a return form which a customer has filled. The reason for returning the product they say it was a "wrong product." Multiple of return forms were filled with the same words as the reason for returning the product. This leaves space for interpretation, has the customer returned the product because the ordered the wrong product or because they got the wrong product. In all likelihood in majority of the cases it is the aforementioned. Improvements in the return form should be considered to get more accurate data on customer returns. One improvement could be making a return form where there are different options of reasons listed for the customer why they want to return the item. The customer choses the one which is the closest to their situation. This makes is straightforward for the customer to fill the form and the customer doesn't need to write anything. Data is easier to analyze when the options have already been set so they can be categorized. Furthermore, all the needed details of the reason for the return can be seen and it reduces further inquiries on the return from other data sources.

Hei

Asiakas on täyttänyt asiakaspalautuslomakkeen tällä hetkellä:

Nimi

Sähköposti

Puhelinnumero

Tilinumero (IBAN-muoto):

Tilin omistajan nimi (palautuksen saaja):

Tilausnumero

Lista

Palautettava tuote	Määrä	Palautuksen syy
Päätykappale Fiamma	1	Väärä tuote

Figure 9 Figure 9 Customer return form, Wrong product

When there are compatibility restrictions all available data should be presented on the product page so the customer can determine if the product is compatible with the device they need it for. Dimensions of the product should also be provided. It is relevant data and usually simple to obtain therefore providing it to the customer via the page of the product, it can easily reduce the amount of customer returns.

Customers occasionally order products just to try if it fits for their purpose. Therefore, it is vital to try to provide as much information for the customer about the product as possible so that they can make an informed decision. When a customer returns a product that did not fit or was not compatible, steps should be taken to go and update the product pages with more information so that this kind of returns can be prevented in the future. Jyväs-Caravan have good product descriptions because customers are confident enough to order with the knowledge they get from the product page. They just need to be more accurate and detailed in order to reduce the amount of customer returns. In addition it is important to develop the return process so that a customer who got the wrong product gets the right one as fast and as smoothly as possible. The company gets more sales and the customer is satisfied.

7.2   No Longer Want the Item

According to the study 19% of customer returns were because the customer no longer wants the product they have ordered. This is a substantial amount, and it is difficult to solve because in many cases there is no problem with the product or delivery, but the customer has just simply changed their mind.

It is very easy to order products from Jyväs-Caravan's web pages because it does not require the customer to sign in or have an account. This is not a problem in itself, on the contrary this is vital for a online store to be customer friendly and easy to use. Customers occasionally make impulse decisions and order products they don't necessarily need due to the fact that it is so easy to order. When the product arrives, the customer has had time to think it over and may return the product if they do not need it.

A customer might consider ordering a product longer if there is a fee on returning products. This could decrease the amount of products that are returned due to customers' impulsive decisions. However, this could also reduce the amount of orders because people are reluctant on paying return fees so they probably won't buy the product in the first place. Online store policies should be clearly displayed on the web page so that customers can easily find them. The easier it is to find the more customers will view it before making an order which will decrease unnecessary conflict situations between the customer and the merchant.

7.3   Poor Quality

From the products returned 8% was due to the product being poor quality according to customers. Majority of these products are accessories and utensils that are sold on Jyväs-Caravan webpages and many of these products are bought in bulk. Jyväs-Caravan Oy has over 7000 products in stock therefore there is bound to be issues with product quality on occasion. Quality is subjective to customers and some people may have higher standards on product quality than others. Not all products need to be top quality. If a product's quality standard fulfils the expectations of majority of the customers that purchase it, the product is good enough quality. Quality of a product is a combination of build quality, price, efficiency and solving a problem for a customer.

It is crucial to try to identify products that keep on being returned by customers due to poor quality. By keeping track on these on products that are returned due to poor quality you can make informed decisions on if it is worth having that product in the selection anymore. With the gathered data one can try to find patterns if the poor quality products are coming from the same suppliers. When the products and suppliers have been identified, dialogue can be opened between the parties to try to solve the quality problem. If it cannot be solved change of supplier should be considered. Jyväs-Caravan Oy has dropped items from their selection due to returns because of poor quality. In the product description it is important to give as accurate picture of the product as possible, so it matches the expectations of the customer when they receive the product. According to studies, customers are willing to pay more if the quality of the product is better. They study also says that a customer that gets a bad quality product is unlikely to purchase from the same online store again because they conclude that all the products sold there are bad quality. Eight percent (8%) of products were returned because of poor quality. It is an amount that should be looked into

and try to identify the products and where they have been purchased from so that the correct actions can be taken to reduce the number.

7.4 Not as Described

According to the data gathered 14% of products returned are returned because the product does not match its description. It is the third highest reason for customer returns at Jyväs-Caravan Oy. When customers buy products online they cannot physically examine the product. Therefor the pictures must be good quality and the product description accurate. It could be that some product pages have pictures that vary from what the actual product looks like, for example the color might be different. Customers can be very precise on what they want so even a small difference in the shade of color can be the deciding factor for them to return the product. Therefore, it is important to have as realistic pictures of the product as possible on the product page. Pictures should be provided from multiple sides of the product to give the most accurate image of it to the end con- sumer. In the figure below there is a return for where a customer wrote that they returned the product because "the product was not what it looked lite in the online store."

Figure 10 Customer Return Form, Product was not what it seemed in the online store

Dimensions are also critical information when it comes to the product description. Dimensions can be given in a picture where the product is displayed as well as dimensions drawn in the picture.

This gives the customer the clearest view of the product's size. The customer can easily seen how long each side in and it does not leave room for interpretation. Product size can also be given in the product description. Most websites use the order length x width x height when giving dimensions but still on occasion customers may understand it wrong and be disappointed when they receive the product. Giving the dimensions on the product page also reduces unnecessary contacts from customers asking what size the product is. This saves time and effort.

Describing the product itself should also bring the most relevant information of the product. It should tell what the features of the product are as well as what the product is used for. If there are compatibility issues, they should be also disclosed on the product page. The product description should be as truthful as possible because overselling will increase the customers expectations and they will be disappointed when they receive the product. The item will most likely end up being returned.

The product not being as described and the customer ordering the wrong product or the product being the wrong size are very similar categories. If you add the percentages of these two categories together it adds up to 51%. This means that over half of the products returned are more or less due to the fact that the customer does not get enough information on the products in the online store. Updating product pages with more information and accurate images will decrease the amount of returns.

Figure 11 Return Form, Unaccurate Product Description

7.5 Issues with Delivery

Due to delivery issues, 9% of the products that are returned, are returned because of this reason. It is the second lowest reason for customer returns in Jyväs-Caravan Oy. It often is because of unexpected delays in delivery times, for example errors in inventory. If a customer orders a product that is shown to be in stock they expect a fast delivery time. If there is an error in inventory and the product is not in stock the delivery time can be multiple weeks. On many occasions the customer is not willing to wait that long for the arrival of their product so they will cancel the order. It is vital to be honest to the customer about delivery times. The customer should be informed right away if changes to the delivery time occur.

There can also be cases where the supplier has run out of the product which also creates an unexpected delay on the delivery time. In this case it should be considered if the product can be ordered from a different supplier. The product may be more expensive from the second supplier, but it is worth it if it means keeping a customer satisfied. As said in the literature review a substantial number of customers do not purchase again from the same online store if they have had problems with delivery in the past. Having accurate inventory on the online store and looking for alternative suppliers can decrease the amount of customer returns as well as increase customer satisfaction.

7.6   Fault or Damaged

The research found that 13 % of the products returned were returned because they were either faulty or damaged. Return rate is very similar to the return reason of the product not being as described. Just like products not being as what they are described in the online store, damages during transit can also be undoubtedly decreased by improving own practices. As the statistics show faulty or damaged products are not very frequent but they are not rare either. Being thorough when packing products is vital for them not getting damaged during transport. Making sure the product doesn't get to move around in the packages during transit reduces the risk of it being damaged. If the product is fragile it should be marked so the carrier knows to be careful with the package. Packaging area should also always have enough packaging equipment. The better the availability of the packaging material for the employees, they are more likely to pack the products better, therefore reducing the number of damages during transit.

The product may also be faulty even before it is sent. There might have been problems in the production and the product is already broken when it arrives at Jyväs-Caravan Oy. These are difficult to prevent because you can't look over the suppliers quality control. One can only keep track of the products they receive and if they are being returned because they are faulty. If there starts becoming a trend of one product returning because it is faulty, the supplier should be contacted. If the quality does not improve, dropping the product from selection or changing the supplier should be considered.

8   Discussion

The goal of the research was to identify the main reasons for customer returns in Jyväs-Caravan's online store. In addition the other goal was to find ways how to reduce customer returns. The results were that one of the main issues in customer returns is product descriptions. Added up returns where the customer has ordered the wrong product, wrong size product or product did not match the description made up 51% of the returns. That is more than half.

Results gotten in this research compared to prior data there were some similarities as well as contradictions. In previous researches 27% of products are returned because they did not match the description. For example, in this research the percentage was 14%. However it could be higher

since customers tend to use little words in the return forms at Jyväs-Caravan. It does not always give the right picture of the return. Many times the customer writes "wrong product" but does not disclose why the product is wrong. Is it that they ordered the wrong product or that they received the wrong product. It could also be that the product description was wrong or misleading and therefore it was the "wrong product."

There were similar results in both studies when it came to customers no longer wanting the product. In this research it covered 19% of the returns where as it covered 17% in other studies. This shows that human nature does not discriminate on different industries online stores when it comes to customer returns.

In some cases it was difficult to chose the right category of the customer returns when reading the return form. The lack of information that the customer gave on the return forms in some instances left space for interpretation on why the customer returned the product. This could have an impact on the final results and change the percentages. Also,the pool of data could have been bigger. There were not much more than a 100 return forms, so getting more accurate data with a bigger data pool challenging. Guiding customers systematically to fill in the return form would help to get more data on returns. In addition, making a list of options for reasons why the customer wants to return the product on the return may help give more accurate picture on why customers return products. The study could be continued after returns start coming in with a new implemented return form where the customer choses from a list of options. Here you would get a more accurate picture on why products are being returned.

I learned how vital role product descriptions play in e-commerce. It can be the sole reason the sale is made in the first place. In addition, the better it is the less likely it will be that the customer is disappointed and returns the item. Furthermore, I learned that how important it is that the returning process is for customer satisfaction. A bad experience for the could mean that they will never buy from your online store ever again. Also, customers return need to be under surveillance and the data need to be analyzed to try to find patterns in them. This is the only way they can be reduced which makes the online store more efficient and decrease costs substantially. I believe the research was a success because the main reasons for returns was identified at Jyväs-Caravan. The

research also brought out ways and steps for Jyväs-Caravan Oy on how to reduce customer returns.

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