

The Customer's On-Line Returns - A Study Based On Hyderabad Region

Aruna Desai

Research Scholar, JNTU Hyderabad

DR. M. Sreenivasa Rao

Professor, Dept. of Mechanical Engineering, JNTU College of Engineering, Hyderabad.

The goal as a company is to have customer service that is not just the best, but legendary.

----- Sam Walton

Abstract

The return management process is gaining importance in supply chain management as a tool of sustainability. It is playing a strategic role in many economic sectors to provide a competitive advantage to all e-commerce companies. E-commerce is also called electronic commerce or internet commerce is a medium for buying and selling of goods and transfer of money and data to execute these transactions by using internet. There is a huge increase in the usage of the internet and e-commerce which is shaping the nature and dynamics of retailing. The aim of this paper is to describe the on-line returns in supply chain management and its affect on the supply chain, identifying the reasons behind these on-line returns. The whole study is based on the Hyderabad region. This research reveals the affect of on-line customer returns on the supply chain management and worked for the improvement in the effective working of the entire reverse logistics system in supply chain.

Key words: Supply Chain Management, Returns Management, E-Commerce, Logistics and Reverse Logistics Management.

Introduction

We all are witnessing that all the sectors are making remarkable expansions in their own fields. In fact, from last decade there is a tremendous growth and changes in the e-commerce or on-line businesses. Due to globalisation there is an intensive increase in the competition and a tough fight to achieve global market shares creating new challenges to these e-commerce companies. The growth in the on-line sales depends on the changes in technology and society. The role of on-line environment is important for e-commerce businesses. Some of the top e-commerce websites in the world that are ruling the entire e-commerce platforms are: Amazon, Walmart, ebay, Alibaba, Flipkart, Snapdeal, etc., Today, in India, the e-commerce business is the fastest growing and the most exciting channel for all types of commercial transactions. Some of the top India's e-commerce websites for on-line shopping are Flipkart, Snapdeal, Myntra, Jabong, etc. Amazon is one of the biggest on-line companies with a global presence. The Indian e-commerce business market is expected to grow to US \$ 200 billion by 2026 from US \$ 48.5 billion as of 2018 ^[1]. This kind of growth is triggered by the increase in the usage of internet and smartphones. The country's e-commerce revenue is growing at an annual rate of 51% which is the highest among the other revenue segments ^[2]. The internet has been regarded as a key tool for business growth internationally (Pezderka & Sinkovics, 2011).

E-commerce offers customers with wider product categories with attractive prices. Moreover, one of the major factors for the huge increase in the on-line shopping is due to its convenient shopping experiences. In e-commerce the length of the supply chain is less as compared to the normal retailing. There are no or very few mediators in on-line businesses; the prices of the products sold are comparatively less than their maximum retail price. E-commerce facilitates customer by providing the product of their choice from anywhere to their door step. Due to these factors the on-line purchases have increased. The classification of e-commerce in India is domestic and cross border, B2B and B2C market places.

Supply Chain Management

Supply chain management (SCM) is the amalgamation of various vital business processes from the suppliers to the end consumers. It provides products, services, and information for customers and other stakeholders by adding value in its each process. SCM provides the combination of inter and intra company integration and management services. The main important function of SCM among its services is logistics. The delivery function is an important task of logistics. It involves planning and control of flow of goods. If the flow of goods is from the company to the customer then it is called forward logistics and if the flow of goods is from a customer to the company then it is called reverse logistics which is an integral part of return management.

Return Management

Product returns is an inevitable situation which a retailer needs to expect in their business. It has become an important part of the order fulfilment. The delivery errors are increasing exponentially with the increase in the on-line orders and its technology. If these errors are ignored they have a direct impact on the cost and the time of the supply chain which in turn affects the overall revenue of the business. In other words, if the returns are not handled or controlled properly it will directly affect the company's brand value, revenue, supply chain efficiency and customer satisfaction. Due to the fierce competition, the concept of accepting product returns has become a great competitive move but it has resulted in huge challenges to the supply chain management with reference to time, cost, man power and other resources. One of the main activities of return management is reverse logistics. In reverse logistics or reverse supply chain the movement of goods are from customer to vendor. The movement can be either initiated by the customer or the vendor. Reverse logistics rotates around **5R's** concept. They are "Returns, Recalls, Repairs, Repacking, and Recycling". Reverse logistics has emerged as a challenge with all the e-commerce companies. As the numbers of on-line product orders or purchases increase, the online product returns also increase.

Return management is a process of supply chain management, which manages all the activities that are associated with returns, reverse logistics, gate keeping and avoidance.

Return management is of two types

- 1) Company calls for returns
- 2) Customer returns

Company returns: Cases of company calls for returns

- 1) Products or product left outs that are required for repacking and refilling.
- 2) Return to origin, where a shipping package could not be delivered to the customer because of certain reasons like door lock , location not found, etc.
- 3) Product recalls due to faulty or defective products entered into the market. (very rare cases)

Customer returns: These are the returns which are initiated by the customer due to various reasons, where my study revolves around the said concept.

PROBLEM STATEMENT

A research study on the customers on-line returns and its affect on supply chain management, especially in Hyderabad region (capital city of Telangana, South India.)

Need of the Study

There is a need to know about these customer on-line returns and to identify the various reasons behind these on-line returns, which in turn creates the impact on the supply chain. At present there are 1 to 1.2 million transactions occurring per day in e-commerce retailing ^[3]. Hence the effective management of returns is quite essential which dents the profits of the e-commerce companies which in turn dents the country's economy.

Research Methodology:

In this research work we have focussed on the e-commerce companies. We identified the key leaders to discuss personally and had interviews to design the questionnaire on the online customer returns. The data has been collected from a random sample of online purchasers of Hyderabad by using the designed questionnaire on 'Customer on-line returns'. This paper is presented based on the data obtained from the research work done by us. The sample size chosen was 1000 of the type online purchasers. The others those who do not use Internet were not chosen for the study. The type of data to conduct this research work is both primary and secondary data. The primary data is through questionnaires and the personal interviews whereas the secondary data is through the company websites, magazines, books, other journals etc.

Out of 1000 questionnaires only 942 were valid; rest were either not received or incomplete. The types of questions in the questionnaire were dichotomous questions, multiple choice questions and open ended questions. All the valid questionnaires were considered to perform the data analysis.

Data analysis:

During the analysis of the data obtained through the valid questionnaires some of the outcomes are stated below.

All e-commerce companies depend on the supply chains, logistics and reverse logistics.

The rate of returns of online purchases is as alarming as 15% - 30% and all the companies face a stiff challenge to bring it down to sustain their revenues.

In the sector composition of e-commerce currently the biggest contributor to on-line retail sales in India is electronics. In Hyderabad too it occupies the top most position with the share of 39%, followed by apparels with a share of 26%. Beauty and personal care around 11%, groceries 8%, baby products 4%. Furnishing and home decors 6%, books 4% and others 2%.

68% of the on-line customers are in the age group of 20 to 50 years.

The purchasing decision of 86% of on-line customers depends on the return policy of the company. For the remaining 14%, their product requirement drives the decision.

79% of customers want free shipping for both purchasing and returning.

79% of online customers make purchases during special occasion's sale such as seasonal sales, festival sales, clearance sales, year-end sales etc. The on-line sales are quite huge during these time periods. The e-commerce companies announce huge discounts and offers for few hours or days. Customers are attracted towards these offers and make on-line purchases. As the sales are high the returns are also high. The sales gets multi-folded throughout these days^[4] thereby increasing the returns as well. Major festival offer sales and their time lines are

- Dussera and Diwali – October and November
- Christmas and New Year – December and January
- National Festivals like Republic and Independence day – January and August

The top reasons for customer returns are –

S.No.	Reasons	Percentage
1	Received damaged product (during shipment)	26%
2	Product received looks different	8%
3	Product did not match/fit the expectations / requirements	19%
4	Received wrong item	7%
5	Became a trend to return (behavior)/ purchased due to impulsive decision	18%
6	Returned due to delayed deliveries / door locks, etc.,	17%
7	Other reasons	5%

Around 26% of the customers reported that they have returned the products where they received the products which were damaged, broken (during shipment), stale ones or some manufacturing defect. 8% returned because they received a product which looks entirely different from what they saw on-line before purchasing. 19% said the product did not match their expectations like quality issues or especially in apparels sizes and colour vary. 7% received wrong items. 18% on-line purchases are returned as it has become a trend to return. There are many on-line buyers who purchase products on impulse decision, and by the time they received the product, they might have changed their mind and make use of favourable return policies. This trend is mostly observed in apparels segment. 17% purchases are returned due to delayed or wrong deliveries. At times returns are made due to customer's non availability like door locks and wrong addresses, etc. and 5% due to other reasons.

Ways to reduce the on-line returns.

- Ensure the quality aspects of the product and packaging
- Ensure full and correct information about the product is shared with the customer

- Design more intelligent and tailor made return policies based on the customer return trend and behaviour
- Reduce false return claims by reasonable return policies
- Avoid logistic and human errors
- Capture and analyse the reasons behind returns and take decisions accordingly

Conclusion

The high number of on-line returns is one of the biggest problems of the e-commerce industry and if it is repeated the company may lose the customer too. Return management presents both challenges and opportunities to the e-commerce companies. Handling return shipments quickly and efficiently increases value recovery of these companies. It is difficult for reverse logistics management to work effectively without the customer's involvement. Understanding the customer's mind set remains one of the major challenges in reverse logistics especially for the e-commerce companies. Having a streamlined returns and repair management is essential for every e-commerce company to sustain.

Though a company loses revenue because of customer returns, it is of paramount importance to keep the customer satisfied. Hence, it becomes very important for a company to know the reasons behind the customer returns and take informed decisions accordingly.

Sources:

1. India - ecommerce | export.gov (July 31 2019)
2. <https://www.export.gov › article › id=India-e-Commerce>
3. <https://www.ibef.org> as of December 2018
4. <https://www.ibef.org/download/Ecommerce-March-2018.pdf>
5. www.amazon.com

REFERENCES

1. <https://www.ibef.org/>
2. <https://www.export.gov/article?id=India-e-Commerce>
3. <https://www.statista.com/topics/846/amazon/>
4. Andel,T.1997, Reverse Logistics: A second chance to profit. Transportation and Distribution, 38 (no.7) 61 [Google Scholar]
5. Fernandez,1.2003. The concept of reverse logistics – A review of literature, <http://www.uwasa.f/ifq/NOFOMA paper.pdf> [Google Scholar]