AN EMPIRICAL STUDY ON CONSUMERS ATTITUDE TOWARDS PRODUCT RETURNS IN MOBILE PHONE INDUSTRY

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ABSTRACT

According to a study by CNNMoney (New Delhi) First published September 26, 2017, India has nearly 300 million smart phone users which is approximately the size of US population and is expected to grow 50% in the next few years which is a huge market opportunity.

India is already one of the world's hottest mobile markets, with everyone from Samsung and Apple to China's Oppo, Vivo and Xiaomi fighting with Indian brands such as Micromax for a piece of the action and 1 billion Indians don't yet have a smartphone and of the 650 million mobile phone users in India, just over 300 million of them have a smartphone, according to technology consultancy Counterpoint Research.

More than 66% of India's 1.3 billion people still don't have access to the internet. Mobile has already become the primary device from which users access the internet. Indian companies such as Indus OS are creating operating systems in multiple Indian languages and mobile phone industry is growing at an exponential rate.

According to India business news report dated Dec 19, 2017, a user in India spends on an average 200 minutes every day on mobile internet and with Reliance Jio, India has become the Top mobile data user in the world. Govt. of india also offers citizen services on mobile phones.

In recent times there has been too much dependence on mobile phones among all age groups. With people constantly upgrading their mobile phones, the mobile phone industry has become one of the dominant industries that face product returns problems. Mobile vendors adopt their own returns practices to accommodate these problems.

Keywords: Returns policy, Perceived quality, Perceived fairness, Consumer return behaviour

INTRODUCTION

Product returns has emerged as a strategic issue within the field of supply chain management over the last few decades. Consumers often buy a product only to learn after using it that they would prefer not to keep their purchase. Although the product may be in perfect working condition, some consumers may realize, after purchase, that it does not match with their preferences well enough to justify keeping it.

Objectives of the study:

The objectives of this empirical study is to discuss the following :

a) Awareness of return policies among consumers at the time of purchase

b) Customers perception of the services offered by the mobile companies.

c) What Factors influence return behaviour in consumers

d)

Need for the Study

Gap in the Existing literatures in product returns management indicate that   research approach has been focused mainly on the firm process and economic operations rather than the customer-based and relational approach since the initial stage of reverse flow starts from customers. Also, existing measures of product returns and reverse logistics have not been developed from actual customer expectations.

Product returns specifically involve all returns initiated by end consumers. According to Rogers et al.(2002), product returns are grouped into five categories that are needed to manage within the returns process.

Consumer returns – returns involving customers" remorse or defects.

Marketing returns – returns driven by marketing issues such as slow sales, quality issues, or inventory repositioning.

Asset returns – desirable returns related to recapturing and repositioning of an asset such as reusable containers.

Product recalls – returns which are initiated due to product safety or quality concerns.

Environmental returns – returns related to environmental regulatory compliance e.g. the disposal of hazardous materials.

This study focuses on the largest category of returns ie., the consumer returns. Unlike other categories, this type of returns is initiated by customers. According to Rogers et al. (2002), a return that has the direct effect on the consumers need the best procedure for handling product returns because it could affect long-term consumers" perception on the firm.

LITERATURE REVIEW

Customer's expectations

Product returns are considered as service offerings in reverse channels. Hence, the quality of service delivery should also be examined. Service quality is a comparison between customer expectations for what a firm should offer and firm"s actual service performance (Parasuraman, Zeuthaml, & Berry, 1985, 1988). Customer expectations play an important role as reference points for consumers to assess the performance of a service provider (Oliver, 1980; Robledo, 2001). Unlike other services in traditional forward logistics, returns service starts from the point of destination (customers) to the point of origin (firms). The process starts from unhappy customers (Potdar, 2009) since the customer returns the product for some reasons.

Customer expectations involve the customers" anticipation of the firm"s performance in providing services (Chang, 2007).Hence, it is imperative for the firms to take customers" anticipation into account in providing product returns service in order to meet or exceed customer expectations.

When a customer returns a device to the retailer because the device did not meet their functional or usability expectations, it's a double tragedy: the customer becomes unhappy with the experience and the retailer and manufacturers lose money. But this problem is difficult to address due to 3 reasons : First, returns are often thought of as a cost of doing business. Second, companies focus on efficiently handling returns rather than preventing them. And third, companies often adopt a one-size-fits-all approach towards returns.

Customer Experience

Based on various studies conducted in the field of Customer experience there are different definitions or versions of the same given by different people. Meyer C. and Schwager A (2007) " Direct contact occurs while purchasing, usage, and service and is initiated by the customer most of the times. Indirect contact involves unplanned encounters with representatives from the companies offering products, service or brands and translates into word-of-mouth recommendations or criticisms, advertising, news reports, reviews etc."

Gentile, Chiara, Nicola Spiller and Giulano Noci (2007) "The customer experience arises from interactions between a consumer and a product, a company, or part of its organization, which abets reaction. This experience is personal and denotethe customer's involvement at multiple levels (rational, emotional, sensorial, physical, and spiritual)"

Adam Richardson (2010) "The customer experience is a combination of a company's actual physical performance and the feelings evoked, supposedly measured against customer prospection across all events of contact**".**

Thus, we conclude that the customer experience involves the total participation during the customer lifecycle, including the search, consumption, purchase and after-sale phases of the experience, measured against the customer expectations which will eventually augment the customer retention and loyalty conclusively affecting the business value.

METHODOLOGY / APPROACH: This study is based on primary data. As many as 250 respondents were contacted and a sample size of 198 respondents answered the Questionnaire.

TABLE-1 DEMOGRAPHIC PROFILE OF THE RESPONDENT

Sl No.		Particulars	No. of respondents	Percentage
	1.1	**AGE PROFILE**		
1		17 – 21 years	40	20.2
2		21 – 30 years	67	33.8
3		31 – 40 years	13	6.6
4		40 – 50 years	32	16.2
5		50 – 60 years	34	17.1
6		60 and above	12	6.1
		Total	198	

		1.2	EDUCATIONAL QUALIIFICATIONS		
			Upto X std	5	2.5
			PUC	28	14.1
			Degree	106	53.5
			Post Graduates	59	29.9
			Total	198	
		1.3	GENDER		
			Male	115	58.1
			Female	83	41.9
			Total	198	
		1.4	OCCUPATION		
1			Student	72	36.5
2			Working professional	88	44.2
3			Business	10	5.1
4			Others	28	14.2
			Total	198	

FACTORS THAT INFLUENCE PRODUCT RETURNS

TABLE-2 :

Sl. No.	Factors	No. of respondents	Percentage
	Customers' experience with Product returns service		
1	Returning the product a) 0 times b) 1 times c) 2 times d) 3 times e) More than 3 times	157 27 6 3 4	80.10% 11.80% 3.10% 1.50% 2.00%
2	a) Remorse for having purchased that brand	21	10.60%
	b) Dissatisfaction with the price since cheaper alternatives with similar features are available	16	8%
	c) Mobile Phone Operating System is not user friendly	23	11.60%
	d) Unsatisfactory Post sales behaviour of personnel at the service outlet	11	5.50%
	e) Any other reason (None of the above)	127	68.30%
3	Awareness of returns policies of the company at the time of purchase		

	a) Yes	124	62.80%
	b) No	74	37.80%
4	Types of return policies that respondents are aware of :		
	a) Full refund if returned within a specified time	59	29.80%
	b) partial refund	11	5.60%
	c) No returns or exchanges after billing	18	8.90%
	d) Manufacturer's warranty	95	47.60%
	e) Others (None of the above)	15	8.10%
5	Types of returns		
	a) Exchange for a New phone	34	21.90%
	b) For repair	34	21.90%
	c) End-of-life returns	4	2.60%
	d) Returning with compensation	1	0.60%
	e) others please specify	86	55.50%
6	Frequency of return		
	a) 1 time	81	86.80%
	b) 2 times	8	8.30%
	c) 3 times	3	3.10%
	d) More than 3 times	4	4.20%
7	Awareness of the procedures of returning mobile phones		
	a) Yes	112	56.30%
	b) No	86	43.70%
8	**Sources of Customer's expectations** a) Past experience b) Individual needs c) Word-of-mouth communication d) Recommendations from other firms/institutions	Respondents Ranked these factors	

	e) Formal communications provided by firms f) Corporate image g) Price to be paid (if any)		
9	**Product returns service – Qualitative factors** a) Responsiveness b) Explanation c) Empathy d) Empowerment e) Reliability f) Timeliness g) Information availability h) Assurance i) Compensation j) Feedback k) Convenient process.	Respondents Ranked these factors	
10	Opinion that the company is following a customer-related product returns service a) Yes b) No c) No answer	 146 41 11	 73.36% 20.60% 6.01%
11	Overall satisfaction with the Services of the company a) Positive b) Negative	 165 23	 88.30% 12.20%

ANALYSIS OF DATA

a) Awareness of return policies among consumers at the time of purchase

Correlation between age and awareness of product return policies of the company at the time of purchase

Karl Pearson;s coefficient is computed using SPSS to find the correlation between age and awareness of product return policies of the company at the time of purchase and the correclation is found to be -0.141

Correlations

		Age	Policy awareness
Age	Pearson Correlation	1	-.141[*]
	Sig. (2-tailed)		.047
	N	198	198
Policy awareness	Pearson Correlation	-.141[*]	1
	Sig. (2-tailed)	.047	
	N	198	198

*. Correlation is significant at the 0.05 level (2-tailed).

Hence, it can be concluded that age and awareness of product return policies of the company at the time of purchase are negatively correlated. I.e, lower the age, awareness of return policies is more and vice versa

b) **Customers perception of the services offered by the mobile companies**

Analysis of relationship between customer's experience and customers' expectations.
The sample respondents' experience and expectation of the services of the mobile phone companies is compared to find the significance of the relationship.The paired t-test is applied to test the following hypothesis

Null Hypothesis (H$_0$) : There is no significant relationship between customer's experience and customer's expectation in the mobile phone industry

	Paired Differences					t	df
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference			
				Lower	Upper		
Pair 1 V8 - V20	-.304	1.635	.116	-.533	-.075	-2.615	197

From the above table, it is found that the calculated value is -2.615 which is beyond the critical values at 5% level of significance. Hence the Hypothesis is rejected.

CONCLUSION : There is significant relationship between customer's experience and customer's expectation in the mobile phone industry.

c) Factors that influence return behaviour in consumers

Factors leading to returns

a) Post purchase remorse

b) Customer's age and awareness of return policies

c) Customer experience with mobile phones

d) Past customer return history

e) Type of product service plan offered by mobile companies

f) The complexity of the product

MAJOR FINDINGS OF THE STUDY

100% of the respondents use mobile phones

33.8% of the respondents belong to the age group 21-30 years and 20.2% of the respondents belong to the age group 17-21 years. Hence, it can be seen that majority of the respondents (54%) using mobile phones are aged between 17-30 years

36.5% of respondents are students and 44.7% of respondents are working professionals. Thus, students and working professionals comprise 81.2% of the respondents using mobile phones.

Majority of respondents (53.5%) are graduates/studying in degree colleges followed by Post graduates / PG students (29.9%) and 4% of the respondents have returned the product more than 3 times

LIMITATIONS OF THE STUDY: The sample which has taken may not be the replica of the population of India . It is a convenience sample and the data for the purpose of the study is collected from respondents in Bengaluru only and analysis for this study is based on this data.

SUGGESTIONS FOR FUTURE RESEARCH

A study with a bigger sample from different parts of India can be recommended for further research on both the qualitative and the quantitative aspects. Other research applications can be applied to know the effect of return policies on manufacturers and retailers in mobile phone industry.

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