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How is returns management differentiated between click-and-mortar and pure play companies?

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Abstract
The emergence of e-commerce and returns management has not only provided a wide selection of corporate opportunities, but it has also come with new obstacles that challenge competitive objectives, goals and strategies of businesses. The following thesis aims to distinguish returns management processes between click-and-mortar and pure player companies. In addition, create an understanding around how customers value delivery- and return policies and processes. The thesis seeks to answer these questions using qualitative and quantitative data from external sources, along with our own empirical results from interviews and surveys.

The key findings of the research are that, firstly, returns management is a dilemma for all types of companies, regardless of distribution system. However, there are certain advantages and disadvantages that click-and-mortar and pure player companies experience differently. Click-and-mortar firms tackle a more complex network due to parallel flows of products and services. Despite this, such firms can benefit from having several delivery- and return options for their customers, for instance, using physical retail space. Pure player companies, on the other hand, only manage a single distribution channel, hence allowing a greater collection of consumer data and thereof, a deeper understanding of return flows and customer behavior. Additionally, our findings suggest that customers prioritize the delivery- and return options that are free of charge over the alternative that is most desirable and convenient. This indicates that the price of delivery- and returns weighs heavier than comfort.

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Table of Contents

Tables & Figures

1. Introduction

The following introduction gives an overview of the field of research that this thesis will cover. The chapter begins by providing a background of the rise of e-commerce and returns management, to later clarify the purpose and research questions that the thesis justifies.

1.1 Background

Globalization, consumerism and innovative manufacturing technologies have all been driving forces behind the rapidly changing demands that many firms face today (Singh, Bartikowski, Dwivedi & Williams, 2009). The emergence of such novelty trends and circumstances have not only offered a wide selection of corporate opportunities, but it has also come with new obstacles that challenge competitive objectives, goals and strategies of businesses. Today firms compete for customer attention through globally integrated and complex networks that consist of multiple stakeholders and partners (Michel & Rycx, 2011). A factor that has had a pivotal role in the changing nature of markets is electronic commerce, also known as e-commerce, and more specifically, the internet. Singh et al. (2009) further explain that due to the increasing pressure of globalization, companies have used the internet to be able to tap into foreign markets while situated elsewhere. Thus, the internet has given companies yet another channel to sell and distribute goods and services from, allowing an increase in market share, but also enabled a transformation of new consumer buying behavior and demands.

Electronic commerce, has brought several challenges and opportunities for businesses today. From a broad perspective, e-commerce encompasses "a*ny form of economic activity conducted via electronic connections*" (Wigand, 1997, p.2). According to the *Work Programme on Electronic Commerce* written by the General Council and the World Trade Organization (1998, p.1), electronic commerce is "*understood to mean the production, distribution, marketing, sale or delivery of goods and services by electronic means*". As suggested by these e-commerce definitions, the concept of electronic commerce has a wide meaning and stretches over several processes and areas of business. Further in this thesis, when referring to electronic commerce, activities related to consumer online shopping is implied.

From a consumer perspective, it is evident that the internet has created a new platform for customers to shop from the comfort of their own home. Consequently, online shopping has also impacted companies' ability to remain competitive and cost-efficient on the market, while balancing the needs of customers (Delfmann, Albers & Gehring, 2002). One of the major

stakeholders that have had to evolve as a result of the development of e-commerce, are the logistics service providers of firms. As reported by Delfmann et al. (2002), e-commerce has completely changed the outbound flow of goods and services from retailer to consumer. Delfmann et al. (2002) specifies that prior to e-commerce, goods and services were transferred from retailer to customer by the customers themselves. However, with today's online shopping possibilities, the selling company is oftentimes responsible for the last mile distribution, creating more complexity and routes to consider for outbound flows of products. The last mile is defined as the "*final leg in a business-to-consumer delivery service whereby the consignment is delivered to the recipient, either at the recipient's home or at a collection point*" (Gevaers, Van de Voorde & Vanelslander, 2011, p. 57). Therefore, logistics services and distribution constitute important factors for the success of online companies today (Hjort, 2013).

With the development of global e-commerce trends, companies have had to integrate relevant strategies into current business models in order to cope with the challenges that have come with new business forms and changing buying behavior. A common challenge that companies confront are the thriving customer returns. Returns management has as a result become a vital part in managing growing costs, but also been able to facilitate competitive advantages for some companies. (Hjort, 2013)

1.2 Problem Area

Researchers have seen an apparent change in consumer behavior during the past twenty-five years or so (Kar, 2010). According to Voinea and Filip (2011), changes in buying behavior began when the number of product choices offered to consumers increased, which overtime allowed customers to feel a growing demand for product satisfaction. The authors further assert that a shift in power is progressively occurring from the manufacturers and suppliers to the consumer. Today, the consumer has an overriding influence in terms of what, where and how they make purchases, making it more difficult for companies to keep up. In addition, Hank Gibson (2014), the Chief Information Officer of the American division at the international courier company, DHL, claims that customers now expect retailers to offer online shopping possibilities rather than just accommodating products and services in physical stores. Moreover, companies that only utilize physical stores as distribution mediums today must compete against online retailers, also known as e-tailers, regardless what market they are positioned in. Due to the development of consumer buying behavior and growing expectation, companies have had to adapt, and one common approach is through adopting online retailing.

With an additional online distribution channel to utilize, yet another flow of products and services has been created, namely the flow of returning goods. As a result of better online purchasing opportunities and liberal return policies, returns management has become a focal point for firms in order to remain competitive on the market (Hjort, 2013). One of the major challenges associated with e-commerce and also a direct circumstance that drives up return flows, is customers' inability to physically evaluate the product online before a purchase is made (Hjort, 2013). This is particularly difficult in the fashion industry where fit and size are vital due to products' individualistic requirements. Hjort (2013) adds to this idea by stating that the factors that influence the flow of consumer returns are complex and are not solely dependent on the product itself, but rather a combination of factors, including consumer buying patterns and returning behavior. Consequently, managing return flows is not simply about creating a better product, it involves a complex understanding about the customer and their relationship with the company. In some cases, the purchased product can be in impeccable condition, however, a return is still made simply because the customer has changed their mind (Röllecke, Huchzermeier & Schröder, 2018). As Hjort (2013) implies, it is imperative that firms understand the reasons behind returns and what effect returns can have on the business in order to profit from long-term efficiency and cost reductions. He insists that returns management has previously had a recovery focus, in which companies have actively worked towards recovering the value of a returned product by recycling it. Today, however, returns management is successively being recognized as a value creation process where companies use return policies and returns management to generate greater value for the business. Therefore, despite the complexities behind returns, returns management can be a way of increasing revenue by attracting customers who are hesitant towards online shopping and thus play a strategic role for businesses today.

A similar belief is also argued by Bernon, Rossi and Cullen (2011) who state that reverse logistics has not received the same attention in research as outbound logistics have. They further state that companies manage reverse logistics differently compared to the management of outbound logistics. In outbound logistics, efficiency and speed are just two out of many crucial factors that are valued greatly in companies (Bernon et al., 2011). These factors, however, are not as prioritized in reverse logistics, which may cause higher costs and lower overall efficiency. A study in the United States shows that retail customer returns are estimated to be six percent of a company's revenue and the logistics costs for managing returns are estimated to be four percent of a company's total logistics costs (Rogers, Lambert, Croxton & García-Dastugue, 2002). Despite that these studies are relatively out of date, one can expect that these costs have only increased over time due to the global growth of the e-commerce sector. Another study from United States validates this

assumption by showing that the costs of return deliveries are expected to increase in the United States (Shopify, 2019; Statista, 2019).

Returns management is a wide concept that cannot be evaluated in isolation as it is influenced by several corporate factors (Rogers et al., 2002). The distribution system can have an exceptionally strong impact on returns efficiency and depending on what distribution channels are utilized, the returns management of the firm may take on different forms. As mentioned earlier, as a growing number of companies establish online presence, the supply chain of such companies must adapt and grow (Delfmann et al., 2002). The supply chain of a company that only uses online sales, also known as pure player companies, may not have the same returns management processes as companies that distribute both online and through physical stores. Companies with both types of distribution channels are commonly known as click-and-mortar firms and typically need to manage parallel supply chains; one accommodating flows to and from retail stores and another for their e-commerce division. In some cases, managing both types of distribution systems can complicate returns management processes, or in other cases, they can complement one another and facilitate an efficient flow of returns.

An additional factor that companies must take in consideration is delivery- and return policies. As stated in a recent study from 2018, 86% of Swedish consumers believe returns should be free of charge, while 24% have avoided making purchases from companies because they have not liked their return policy (E-barometern, 2018). In other words, return policies play an important role in consumers purchasing decisions and can even be decisive for many. Some of the biggest e-tailers in Europe have recently made some changes to their returns- and shipping policies. For example, Zalando and ASOS have changed their return policies for some customers and in some regions from which they operate (RetailDetail, 2019a). ASOS changed their return policies in 2019 due to misuse among customers who return items abnormally often or return products that have been used. These types of customers can either be blacklisted by ASOS or be permanently or temporarily suspended from the website (RetailDetail, 2019b). *RetailDetail* (2019c) also writes that Zalando have now introduced shipping costs in Ireland, Spain, Italy and the United Kingdom for smaller orders. Zalando explains that this was after a pilot testing was conducted in Italy to introduce both shipping costs and stricter return policies for their Italian customers. Following this pilot project, Zalando's profits increased. *RetailDetail* (2019c) speculates that this action was taken by Zalando due to losses in profit. The Swedish newspaper, *Dagens Industri* (2019), writes that according to the magazine *20 Minuten*, as much as every other order from Zalando is returned in Schweiz. This an indicator that returns amount up to large volumes despite the growth in online purchases.

Additionally, the Swedish website, *Dagens Handel*, writes that H&M has also altered their payment policies for deliveries. Previously, H&M offered free deliveries for all club members, regardless of the value of the order, now H&M has introduced a minimum order value for the deliveries to be free of charge. The returns, however, are still free of charge for their club members. *Dagens Industri* (2019) writes that there is a possibility that enforcing an order value level for customers can cause the opposite effect and instead increase returns in the long run. The newspaper again refers to *20 minuten* which concludes that when customers are encouraged to purchase orders for a higher value, it might lead to more returns. This is because customers may order more items and return a larger amount than initially intended, because they want to reach the order value and not pay a delivery fee.

These large e-tailer companies changing their return policies may also be an indication that returns are becoming problematic for companies to manage. As illustrated by the news articles above, one can assume that companies have a trial-and-error approach to delivery- and return policies. The costs of offering free returns to their customers are perhaps progressively growing at such a speed that it is no longer possible to offer deliveries and/or returns free of charge without damaging the company. Since many of the larger online companies have made alterations to their delivery- and return policies and speculation says that it is due to increased costs and decreasing profits, we find that this is a subject of interest to further inquire in. Specifically, we find it important to examine the differences in returns management processes in different distribution systems due to the the assumption that distribution channels may influence consumer buying decisions and thus return flows. Depending on what distribution network a company chooses to utilize, different forms of complexities and challenges can become a direct consequence. According to a quantitative study by Bernon, Cullen and Gorst (2016), the level of returns for clothing and homeware items are double for online companies compared to those with multi-channel distribution. In addition, it may also be beneficial for companies to understand how distribution networks can affect returns management processes and acknowledge what sets click-and-mortar firms apart from pure player companies.

As noted above and further in this thesis, the word efficiency is frequently used to exemplify business activities and is commonly used among accredited professors and experts within the area of e-commerce and returns management. Neither of these sources have explicitly clarified or defined what is meant when referring to this term. However, one can assume that a common agreement is that efficiency regards low resource utilization and that the overall output of the

returns processes is greater than the input, regarding costs, speed and customer value and perception.

1.3 Purpose and Research Questions

The purpose of this thesis is to distinguish returns management processes between click-and-mortar and pure player companies by identifying what advantages and disadvantages these companies encounter in terms of their reverse logistics activities. Additionally, in order to broaden our scope and include yet another important stakeholder, an understanding of how customers value returns processes and policies would like to be achieved.

- How is returns management differentiated between click-and-mortar and pure play companies?
    - What advantages and disadvantages distinguishes these companies from one another?
- How do customers value return policies and processes?

1.4 Limitations

E-commerce is a term with a relatively wide definition and can be applied to several forms of transactions. However, for this thesis we have chosen to limit our scope and chosen to focus on transactions conducted through the internet and the World Wide Web.

The global rise of e-commerce has had positive influence on economic growth and social development. Nonetheless, e-commerce has also come with a price that challenge world leaders today, namely environmental implications. Consumption, energy expenditure and additional transportation are all contributory factors of e-commerce that have had a negative impact on the environment. As environmental issues are a growing cause of concern, it is of high relevance to discuss these topics simultaneously in this thesis. Unfortunately, due to limitations in time, we have chosen to not incorporate this aspect into our study. (Yi & Thomas, 2007)

Rogers et al. (2002) describes that there are five main types of returns; consumer returns, marketing returns, asset returns, product recalls and environmental returns. This thesis is specifically concentrated around consumer returns, as this is the largest and most common category and the category that click-and-mortar and pure play retailers mainly tackle (Rogers et al., 2002).

2. Theoretical Framework

The following chapter describes the relevant theoretical framework that has been used as foundation for the research of this thesis. The purpose of this chapter is to explain relevant concepts and create a deeper understanding of how e-commerce, returns management and distribution channels affect logistics activities for firms. These theories will later be compared to the empirical data that has been gathered in order to draw conclusions for the stated research questions.

2.1 Distribution Channels

A channel can be defined as a "*customer contact point, or a medium through which the firm and the customer interact*" (Neslin et al., 2006, p. 96). In other words, a channel is the distribution method the firm chooses to sell goods and services from to an end-customer. In regard to this, a company's distribution channel system can consist of different types of mediums, such as auctions, the internet and physical stores, or companies can choose to dominate through only one type of medium.

2.1.1 Multi-Channel Companies - Click-and-Mortar

Multi-channel distribution is applied "*when more than one primary channel is used to sell the same product line to the same target market*" (Frazier, 1999, p. 232). According to Frazier (1999), one of the primary incentives to use multi-channel distribution is the possibility to increase market coverage as the company creates a larger choice of purchasing methods for the customer. Multi-channel distribution systems that sell products and services in physical stores and online are primarily in focus. A company that uses both of these distribution channels alone is most commonly known as a click-and-mortar business. According to *Business 2 Community* (2016), costs for multi-channel companies are higher than those that only have online presence, due factors such as monthly retail leases and additional staff. This is also supported by Bendoly, Blocher, Bretthauer, Krishnan and Venkatarmanan (2005) who states that click-and-mortar companies acquire additional fixed and variable costs as a result of using retail floor space, in addition to their online sales.

2.1.2 Pure Play Retailers

Pure players are companies that only operate online and typically only sell one category of products in the retail industry. Examples of pure play companies are Zalando, ASOS and Boozt (Cullinane, 2017).

One common disadvantage that pure play retailers can suffer from is the inability to provide customers the possibility to feel and inspect the product before a purchase. Therefore, visual merchandising plays a challenging role in providing the most accurate and detailed information about the product as possible. For some products, such as clothing, true customer value can only be decided by examining the product or trying on the garment. As mentioned earlier, click-and-mortar companies allow customers to visit a store in order for them to have a closer look at the items being considered for purchase. With this disadvantage, pure players must find new ways of maximizing customer value through online experience by gaining loyalty and trust among consumers. These disadvantages increase the importance of information and communication of key attributes of the product, such as fit, size, color and so on. (Ashman & Vazquez, 2012)

2.2 Supply Chain Management

Supply chain management (SCM) is defined by D. Simchi-Levi, Kaminsky and E. Simchi-Levi (2007, p. 1) as *"a set of approaches utilized to efficiently integrate suppliers, manufacturers, warehouses, and stores, so that merchandise is produced and distributed at the right quantities, to the right locations, and at the right time in order to minimize system wide costs while satisfying service level requirements."* In other words, SCM relates to managing processes and activities within the company's value chain as efficiently as possible by minimizing costs and integrating internal and external stakeholders.

2.2.1 Logistics Activities

Supply chain management plays a key role in managing logistics activities as it can have a significant impact on the efficiency and effectiveness of different logistics processes and businesses (Marchesini & Alcântara, 2016). As returns is the main focus of this thesis, logistics activities related to returns management is the primary objective. Marchesini and Alcântara (2016) explain that the logistics activities within returns management include the process of avoiding returns, defining logistics procedures, building and managing a reverse logistics network, as well as providing information about returns-related costs.

2.3 Returns Management

A process that is relevant for discussion is the strategic process of managing returns, referred to as *returns management*. Rogers et al. (2002) explain that returns management is a part of supply chain management and includes activities such reverse logistics, gatekeeping and avoidance. In short, gatekeeping is the process of screening returned goods and materials while avoidance is the process

of minimizing returned goods during the early stages of a product life cycle; commonly in the sales and design stages of the supply chain (Chen, Anselmi, Falasca & Tian, 2017).

As e-commerce becomes more popular among consumers, companies need to oversee and regulate their returns management and reverse logistics in an efficient way. This is imperative because efficient management of returns can reduce costs and make companies more profitable (Rogers et al., 2002). Furthermore, Rogers et al. describe that adequate returns management does not single-handedly rely on governing return flows, but also reducing the amount of unnecessary returns as early as possible.

Returns management must also include key partners from the supply chain and therefore several functions must be included in this process. Not only do internal departments, such as manufacturing, logistics and finance, need to be considered, but also external parties, such as third-party providers, customers and suppliers. When involving many stakeholders in the returns management process, a form of new complexity is created within the firm. Nonetheless, efficient returns management has great potential to impact costs, revenue and profitability for the company in the long run. (Rogers et al., 2002)

2.3.1 Returns

The Supply Chain Council defines returns as "*Processes associated with returning or receiving returned products for any reason. These processes extend into post-delivery customer support*." (Rogers et al., 2002, p. 5).

The reasons behind a returned product will establish what type of returns process is required. Rogers et al. (2002) states that consumer returns are mainly due to faulty products or customer remorse. Shulman, Coughlan and Savaskan (2011) advocate the view that it is common for consumers to purchase a product to later realize that they cannot justify keeping it, because it does not match their preferences. Customers are also more likely to return a product when the benefit of returning it is higher than the benefit of keeping it (Shulman et al., 2011). In addition, Roger et al. (2002) emphasize that it is common for companies to have liberal return policies as they believe this will favor profitability and increase sales. However, Shulman et al. (2011) mean that returns can have a negative impact on a company's profitability. They explain two reasons for this. The first reason is that returned goods depreciate and do not hold the same value as new products. Secondly, costs will be incurred as a result of repackaging, restocking and reselling returned goods. Therefore, some companies choose to have financial penalties for customers who return their

purchases by adding shipping fees or repackaging compensation (Shulman et al., 2011). Although financial penalties can be a tool to reduce the quantity of returns and thus associated costs, consumers can lose their willingness to pay in the first place, perhaps leading to a loss in revenue in the long term (Shulman et al., 2011). Nonetheless, due to the growing competitiveness on markets, it is not certain whether it is possible to enforce return penalties in a profitable way, or if this will result in consumers turning to companies with more liberal return policies instead (Shulman et al., 2011).

2.3.2 Reverse Logistics

Reverse logistics has been defined as "*The process of planning, implementing, and controlling the efficient, cost effective flow of raw materials, in-process inventory, finished goods and related information from the point of consumption to the point of origin for the purpose of recapturing value or proper disposal*." (Rogers et al., 2002, p. 4). However, some mean that this definition is not wide enough because many products are not returned to their point of origin, but returned to the point of recovery or disposal (Bernon et al., 2011). This definition is supposed to show the connection between the company and other stakeholders in the supply chain, implicating that the flow of raw materials is connected to suppliers and manufacturers and that reverse logistics also involve customers and distributors (Álvares-Gil, Berrone, Husillos & Lado, 2007).

Pacheco et al. (2018) claim that reverse logistics has grown in importance in recent years from both a consumer's perspective and a business perspective. They further explain that reverse logistics is also becoming recognized as an integral part of supply chain management. This is due to reasons such as sustainability issues, raw material shortages and increasing number of returns in today's supply chain (Pacheco et al., 2018). As previously mentioned, generous returns policies, buyer's remorse and online shopping all play an active role in why increasing volumes of products are returning to companies (Bernon et al., 2011). Bernon et al. additionally argue that compared to forward logistics, reverse logistics has not been recognized and studied as widely by researchers, regarding how to increase the efficiency in supply chains. Also, it is suggested that reverse logistics is managed differently than outbound logistics. Bernon et al. (2011) further explain that, with outbound logistics activities, speed, demand forecasting and reducing transportation costs are just a few factors that are considered important in managing outbound flows of goods and services. However, Bernon et al. (2011) state that these factors are rarely prioritized in reverse logistics, and that these differences suggest that reverse logistics may involve higher costs than outbound logistics.

2.3.3 Gatekeeping

Gatekeeping is one of many processes in returns management (Rogers et al., 2002). Gatekeeping includes the activities of screening returned goods and materials (Chen et al., 2017). Apart from the process of screening returned goods, materials and requested returns, gatekeeping also includes the process of evaluating if the return is valid or not (Chen et al., 2017). With gatekeeping, companies can make sure that the returned good meets the right criteria and that the accepted return ends up in the correct place (Hjort, 2010). In other words, gatekeeping serves the purpose of making sure that unwanted returns are not accepted and allocating the accepted goods to the right location within the company or warehouse.

Gatekeeping is also a crucial activity for distance sales, which are internet or catalogue sales, and mail order. Gatekeeping is therefore crucial in both click-and-mortar companies as well pure play companies, since both types of firms operate using e-commerce. If the gatekeeping process is carried out inefficiently, for instance taking a long time to evaluate incoming returns, the market value of the product will be lower once it is ready to be sold again, leading to loss in revenue and sales. (Hjort, 2010)

2.3.4 Avoidance

The process of avoidance also has an essential part in efficient returns management. The goal of avoidance is to minimize the number of returns already in the early stages of the product life cycle; for instance, during product development or in the selling stage (Hjort, 2010). This can be accomplished in different ways, for example, by increasing product quality, providing accurate product information on the company's website, through product visualization or sizing guidelines (Hjort, 2010). Hjort further suggests that some returns could be avoided by having a deeper understanding of customer demand.

Rogers et al. (2002) illustrate that avoidance is what differentiates returns management from reverse logistics. They explain that if an avoidance process is successful, the product will not be returned and go backwards in the supply chain and consequently, the logistics activities will not be reversed. Similarly, to gatekeeping, companies that incorporate avoidance processes in their returns management system can reduce costs and increase customer satisfaction (Rogers et al., 2002). In addition, Hjort (2010) concludes by stating that gatekeeping and avoidance can especially be applied within online companies. Ultimately, if gatekeeping and avoidance is carried out successfully it can increase supply chain efficiency and decrease the number of unnecessary returns in the early stages of the supply chain (Hjort, 2010).

Furthermore, Hjort (2010) implies that when gatekeeping is done correctly, it can serve as an example for lower costs and greater customer satisfaction. He distinguishes between gatekeeping and avoidance processes, which will be explained further down, by stating that gatekeeping can be a method of increasing efficiency, while avoidance strategies can increase effectiveness within an e-commerce- and returns management context. Efficiency is defined as carrying out processes correctly, while effectiveness is defined as performing the right activities in the first place (Hjort, 2013).

3. Method

This chapter describes the work process of our thesis and the choices that have been made during the course of this study. Specifically, this section justifies the reasoning behind the selected research design and strategy, data collection and sampling methods. It also clarifies the reliability, validity and generalizability of this thesis.

3.1 Research Design

Empirical research can be divided up into three main segments: descriptive, exploratory and causal. Depending on the purpose of the study, one or more of these segments can be chosen. Thus, the research design will shape the foundation of the thesis and will form guidelines for which the empirical data is collected. Descriptive research design is used to describe certain attributes of a studied phenomenon. This design does not go in depth to answer questions such as "why?" or "how?", but rather answers questions that characterize and define a subject. Secondly, the exploratory design has a focus in gaining new insights and understanding within a particular area. Typically, such research designs aim at finding an explanation to a problem or understanding how two or more variables are correlated. Examples of exploratory design are in-depth interviews, focus groups and literature studies. Finally, the causal research design examines cause- and effect relationships between variables and aims at proving or disproving a hypothesis, which is typically conducting through quantifiable experiments. (Churchill & Iacobucci, 2006)

This thesis has a descriptive and causal research design. The nature of this thesis aims firstly at collecting data for the purpose of describing the returns management processes in two different distribution structures. The beginning sections of the thesis have therefore characterized relevant business processes in order to identify differences between the different distributions systems. Later, a more causal research design is used to investigate what underlying issues and circumstances cause potential advantages and disadvantages in the studied returns management systems. In addition, when including the opinions of customers, the thesis also aims at understanding how delivery- and return policies affect the returns management of companies.

Determining the research method should be based on the research questions and the overall purpose of the study (Marshall, 1996). Patel and Davidson (2011) state that research design can be divided up into quantitative and qualitative studies. Quantitative research is characterized as being highly structured for which quantifiable results are obtained and can be statistically tested on. The research has an objective point of view with an intent to generalize findings for a larger population based on the outcome of smaller samples (Marshall, 1996). Typical forms of quantitative research are

surveys or interviews with strictly predetermined questions that receive quantifiable answers. Qualitative research, on the other hand, is characterized as being unstructured or semi-structured where there is some degree of freedom in terms of the researcher's interpretation of the collected data (Bryman & Bell, 2015). An example of a qualitative research method is an interview with low degree of structure where the respondent can answer freely. This thesis is of qualitative nature where we allowed the interviewees to interpret the questions freely and give as open answers as they wished. These semi-structured interviews also allowed us to ask follow-up questions based on the respondent's answer, which aided in understanding and analyzing the company's returns management systems thoroughly. As qualitative research progress, theories and new understandings can emerge successively using interviews (Bryman & Bell, 2015).

Even though most of the research is qualitatively based, the thesis also includes a quantitative element which was conducted through an online survey. This is a complementary part to the interviews and aims at broadening the perspective of returns management to include customer perspective. Since the information from the interviews are predominantly focused on what the companies experience, the quantitative data allows an inclusion of opinion from consumers who play an impactful role in the return flows of a company. A commonality that was identified during the interviews was that all four interviewed companies had some form of customer-focus in terms of their returns process. Since the customer was so heavily emphasized in the respondents' answers, it was imperative to develop this knowledge and create an opportunity for customers to answer for themselves. Thus, the decision to create a survey was made after the qualitative interviews were finalized.

3.2 Research Strategy

Research strategy is defined as "*a general orientation to the conduct of business research*" (Bryman & Bell, 2015, p. 37). Research strategies can be separated into two main categories depending on what perspective has been used to conduct the research. The first category is known as *deductive theory* which uses pre-existing theories to deduce a hypothesis that will later be analyzed using empirical data. In other words, the researcher will create assumptions based on the presented theoretical evidence and contrast it with collected data in order to prove or disprove the initial hypothesis. (Bryman & Bell, 2015)

The second perspective is *inductive theory* which has an opposite approach to research strategy. Bryman and Bell (2015) explain that this technique focuses on data collection and empirical understanding before theoretical considerations have been made. However, a third category also

exists that integrates both categories in one, namely *abductive theory*, which has become a particularly popular method for qualitative work. Researchers such as Patel and Davidson (2011) describe an abductive approach as forming a theoretical framework as a suggestion towards a field of research, which can later be altered to match the findings in the collected data.

In this thesis, the relationship between theory and research is classified as an abductive strategy. The research process began with formulating various theories and concepts that are generally applicable to the subject matter we were researching. We looked at creating a theoretical framework using scientific papers in order to deepen our understanding of what the main concerns were regarding the effect of e-commerce on returns management for different distribution systems. Later, we compared the framework with the knowledge gained from the interviews. Despite not knowing how this new knowledge would affect our theoretical framework, we expected that the interviewed companies would give us a more practical understanding of returns management for click-and-mortar and pure play companies rather than one based on a theoretical approach. As a result of this, we understood that a new theory would be formed based on both the initial theoretical framework as well as the findings made in our planned interviews.

This thesis is also based on a comparative design which can be defined as having data collected from at least two cases which will later be compared and contrasted from each other (Bryman & Bell, 2015). This thesis includes one case representing companies with click-and-mortar distribution and another representing pure play distribution. After sufficient data was collected from both types of companies, a comparative analysis was conducted between the two in order to form answers for the stated research questions.

3.3 Data Collection

The process of collecting data has been accomplished with two objectives in mind. Firstly, to deepen our understanding about relevant topics from already conducted and documented studies, which were mainly found in scientific reports. Secondly, to interview both click-and-mortar companies as well as pure players within the retail industry about their returns management processes.

In addition to company interviews, we wanted to add customer opinion to the study. As mentioned above, this was decided because all interviewed companies emphasized the importance of making the return process easy for the customer. This was accomplished through a survey directed towards consumers in Sweden, who at one point have ordered a product online and later returned it.

3.3.1 Literature Review

Literature studies are carried out because the authors wish to find answers to their research questions in pre-existing studies within the same field (Patel & Davidson, 2011). Thus, in order to gain insight and form an initial theoretical understanding before collecting primary data, we collected secondary data by studying and reading scientific reports written by accredited professors and other experts within returns management. Patel and Davidson (2011) explain that it is specifically important to choose secondary data that highlights phenomena from different perspectives and examine these critically in order to show a multifaceted side of the empirical data.

This was made possible by using Gothenburg University's *Supersök*, which is an online search engine that allows students and others to search for articles and scientific papers. Using their filter function, one can simply sort out certain categories to narrow down the outcome of the search. In addition to this, *Google Scholar* was utilized, which is of similar nature as *Supersök*. To find relevant articles and scientific papers for this thesis, key phrases such as "Returns Management", "Avoidance", "Gatekeeping", "Multi-channel" and "Pure Player" were used.

3.3.2 Sampling

There are three different approaches when selecting respondents for qualitative research, namely purposive sampling, snowball sampling and generic purposive sampling. Purposive sampling is a non-probability form of sampling based on established criteria such as work title, educational degree or level of expertise. The respondents are strategically chosen based on their relevance to the study and the questions that are included in the interview. In snowball sampling, initial contact is made with beforehand selected people who further suggest other respondents to contact, which is therefore not completely random in nature. Finally, in generic purposive sampling, criteria for selecting the respondents are determined in advance, but can also be incidental or a mixture of both. (Bryman & Bell, 2015)

Before conducting interviews, a purposive sampling method was used because we picked our interviewees based on their working title and knowledge within the area of returns management. To fulfill the purpose of this thesis, it is imperative that the respondents have the right expertise within the area, so that they can answer the research questions properly. The assumptions about the interviewees' knowledge were mainly based on their current working title, but previous work experience and educational level was also considered. We also studied the company's return policies prior to contacting the company representatives. We interviewed one representative from four different companies, two of which were pure play companies and two click-and-mortar

companies. When selecting companies, it was necessary that they did not compete on completely different markets with contrasting categories of products, hence we limited our options to companies in the retail industry that sell fashion, beauty and homeware products.

In addition to interviews, we also conducted a survey. We limited the respondents of this survey to consumers residing in Sweden who have previously purchased a product online and later returned it. The customer could have either handed in the returned item at one of the company's stores or at a pick-up point that later shipped the product back to the company's warehouse. These limitations were described to everyone who answered the survey and were written in the description of the survey. However, since the survey was only available online, there could have been respondents who unknowingly missed this information and participated in the survey sample, despite not being a part of the purposively selected respondents. Furthermore, Bryman and Bell (2015) explain that a representative sample should in an adequate way reflect the population. However, no personal information about the respondents was collected in the survey.

3.3.3 Survey

As previously mentioned, a survey was conducted as all the interviewed companies mentioned the importance of customers when discussing their returns management process and delivery- and return policies. This survey was shared on the social media platforms, Facebook and LinkedIn. After the survey was open for 6 days, a total of 130 responses were gathered and later compiled in Excel. As described in the *Sampling* section, since no personal information was collected in the survey, we have no information about the distribution and characteristics of the respondents, such as gender, age, income and occupation. Due to this, it can lead to difficulties in drawing generalized and applicable conclusions from the survey results. Additionally, since the survey was shared on the social media platforms by the authors themselves, there is a risk that the majority of the respondents share a similar life situation, more specifically, younger students with low disposable income, and therefore, may have impacted the overall results.

3.3.4 Interviews

An interview is one of the most common qualitative research methods (Bryman & Bell, 2015). Patel and Davidson (2011) explain that when conducting interviews, an important aspect to take into consideration is anonymity and confidentiality because interviews are dependent on the respondent's willingness to answer the posed questions. Hence, it is important to clarify the purpose of the study and the interview to the respondent beforehand (Patel & Davidson, 2011). While in contact with potential respondents, we immediately explained the overall purpose of our thesis, the

interview, and our intended research questions. Moreover, we allowed the respondents to decide whether they wanted to stay anonymous regarding the company title, the respondent's name and current position. Only one of the companies we interviewed wished to be anonymous, this company will therefore be called Company X, and the name of the employee interviewed will not be mentioned. The other three companies, however, are mentioned by name and so are the respondents we interviewed. All the respondents' work positions are referred to in order to emphasize their relevance to the thesis.

There are two main techniques that can be adopted in terms of sequencing the order of interview questions. Firstly, one can use the funnel technique, in which the first questions are of general character that later lead the interviewee into more specific questions. Secondly, an opposite approach of the funnel technique is also available in which specific questions start off the interview, while general questions are asked during the end. We have chosen the funnel technique, where more open and general questions are asked first, allowing the respondents to feel more comfortable and willing to answer more specific questions progressively. (Patel & Davidson, 2011)

Additionally, Bryman and Bell (2015) explain that there are usually two different types of interviews in a qualitative study, unstructured interviews and semi-structured interviews. In semi-structured interviews, specific subjects and questions are formulated before the interview is carried out, yet the respondent is free to interpret the questions personally and answer them as openly as possible. Unstructured interviews, on the contrary, do not include predetermined questions. Subsequently, when conducting interviews, the level of standardization and degree of structure must be taken into consideration (Patel & Davidson, 2011). According to Patel and Davidson, the level of standardization depends on how the questions are formed and in what order they are answered. The level of structure, on the other hand, depends on the extent of which the respondents can interpret the questions freely, which is usually based on the respondent's previous experience or general attitude to interviews (Patel & Davidson, 2011).

Patel and Davidson (2011) additionally emphasize that interviews can be conducted face to face or using some form of technology, for instance through phone calls or Skype. In this case, we have chosen to use all three alternatives. In addition to these methods, the interview with the anonymous company, Company X, was conducted in writing, this was because the respondent had limited time for a personal interview. Since this interview was answered in writing, the questions were posed and answered in a strict order, leading to a high degree of standardization. Despite this, the structure of the interview is not necessarily as high as the standardization. This is because the respondent did

not answer the questions directly to us, it is possible that the respondent had more freedom in how the questions were interpreted. Also, this method did not give us the possibility to follow up on their answers with supplementary questions in the same way as when speaking to the respondent personally. In the other interviews, where we had the chance to meet or talk to the respondent personally, the questions were asked depending on the situation and on the respondents' previous answers, hence, these interviews did not have the same degree of standardization as the one in writing. However, as most of the questions were determined beforehand, these three interviews can be classified as semi-structured.

The interviews were assembled directly after they were conducted. We recorded all the verbal interviews and later listened back to the recording and paraphrased the respondents' answers for each question. We chose this strategy because this allowed us to save time and instead focus on listening to the recordings multiple times.

Table 1. Conducted Interviews

Company type	Company	Representative	Position	Time	Interview type
Pure Player	Care of Carl	Andreas Thieme	Logistics Manager	One hour	Personal meeting
Click-and-Mortar	Åhléns	Svante Lindgren	Logistics Manager	40 minutes	Skype
Click-and-Mortar	Hemtex	Ann Bernlert	Logistics manager	35 minutes	Skype
Pure Player	Company X	Anonymous	Director of Fulfillment Center	N/A	Written communication

3.4 Reliability, Validity and Generalizability

Reliability and validity are two important components that affect the overall credibility and consistency of the thesis and is something that should be taken into consideration when collecting and analyzing data and drawing conclusions. Subsequently, these factors have been incorporated in the entire research process and has served as a reminder that a critical perspective is required when conducting interviews and collecting data from external parties. Reliability is said to demonstrate the credibility of the study. On those grounds, the reliability is considered high if the study can be replicated by anyone and similar outcomes are still obtained. With high reliability, the information and conclusions drawn from the initial research is considered trustworthy and believable. Reliability is however easier to measure in quantitative research as statistical tests can

be used. In qualitative research, however, reliability is instead evaluated based on the method used and how the collected data has been interpreted and understood by the researchers. (Bryman & Bell, 2015)

As most of the collected data in this thesis is qualitative, high reliability has been ensured by using a variation of scientific reports from different accredited professors as well as interviewing respondents with a similar corporate position in terms of returns management. Both authors of this thesis were also present during the interviews which avoids the risk of general misinterpretation of the respondents' answers. The reliability of the quantitative survey has, however, not been determined using statistical testing, but by the large number of survey answers. Yet, one must consider the disadvantage of surveys and the risk of misunderstanding the questions. Since the survey was only available online, neither of the authors were present during the completion of the survey and were not available to explain the meaning of each question. In other words, the respondents' answers are based on their individual interpretation of the questions. Nonetheless, the questions were formed as objectively as possible, hopefully, minimizing the risk of misunderstanding.

Validity determines whether the research measures what it is initially intended, based on the research questions stated, and can also be categorized internally and externally (Bryman & Bell, 2015). Bryman & Bell (2015) explain that internal validity refers to the degree to which the researcher's understanding from the collected data is comparable with the theoretical framework that has been outline. External validity refers to what extent the study's conclusions can be externally applied and generalized (Bryman & Bell, 2015). Internal validity has been ensured by using literature and scientific reports that are relevant within returns management and e-commerce Additionally, the interviews have only been executed using companies in the retail industry that have a similar product assortment. When analyzing the respondents' answers, consideration has been made to bias and personal agenda to positively promote the company's business during the interview.

As mentioned above, external validity is associated with the degree of generalizability of the research which can be defined as the ability to generalize the results and how well it can be applied to a broader population than the one studied (Bryman & Bell, 2015). However, generalizability has not always been a key component in past qualitative research and is considered to be a more complex practice compared to quantitative research methods (Polit & Beck, 2010). Due to the timeframe and resources for this thesis, an accurate generalization for the entire online retail

industry cannot be established and the concluding statements are only applicable for the companies that were interviewed and the collected data from the survey.

3.5 Method criticism

Despite the thorough execution of this thesis, some flaws must be taken into consideration. Firstly, one must consider the fact that the interviews were conducted in Swedish, which meant that the contents of the given answers were translated into English by the thesis authors. In order to translate from one language to another, interpretation of the initial language is required, which can be problematic in terms of the validity of the study. (Van Nes, Abma, Jonsson & Deeg, 2010)

Secondly, the validity of the survey results may also be faulty due to the lack of information regarding the respondents' personal information, such as gender, age, disposable income and occupation. These factors may affect the answers given in the survey and can thus lead to a sample that is not representative of a greater population (Stanton, 1998).

3.6 Analysis Model

After the data collection was completed, an analysis was conducted on the findings. The analysis stage of our study began with identifying the main insights that came from our findings, specifically what circumstances or returns management processes distinguished the interviewed click-and-mortar companies from the pure players and what main outcomes could be detected from the survey. When all the empirical data was outlined and structured into main findings we were able to compare these results with each other, but also with the theoretical framework. Here, we compared to see if our findings matched the statements from our sources regarding returns management and if there were any discrepancies between them. As discussed above, a comparative analysis was also carried out where the findings from the click-and-mortar interviews were contrasted with the findings from the pure players. Thus, returns management related advantages and disadvantages are defined for both types of companies, which considered to be direct consequences of their distribution system. During the analysis process, the purpose and main research questions were always kept in mind in order to make sure that these can be fulfilled in the final *conclusion and discussion* section of the thesis.

4. Findings

In line with the purpose of this thesis, which is to distinguish returns management processes in click-and-mortar and pure player companies, as well as to highlight customer opinion, this chapter describes the results that were obtained from the interviews and survey. The chapter begins by introducing the findings from the interviews with corresponding companies. The subheadings contain certain themes that were discussed during the interviews. Finally, the chapter ends by stating the quantitative results from the survey.

4.1 Click-and-Mortar

The following companies were interviewed for the purpose of collecting data on click-and-mortar companies. This section thus describes the results that were obtained from these interviews.

4.1.1 Click-and-Mortar Company Backgrounds

Firstly, Svante Lindgren (Lindgren), the logistics- and supply chain manager at the Swedish department store chain, Åhléns, was interviewed. Åhléns is a click-and-mortar business that primarily sells products and services within the fashion, beauty and homeware industry and currently has 66 department stores, an outlet store, as well as an online shop in Sweden. Åhléns has its headquarters and central e-commerce warehouse in Stockholm. The company's return policies vary depending on how the customer chooses to return the product, which will be explained more in detail below.

Additionally, we interviewed Ann Bernlert (Bernlert), the logistics manager at the click-and-mortar company, Hemtex, which is the leading Nordic home textile retail chain with stores in Sweden, Finland and Estonia. Online shoppers have the possibility to receive and return products in-store or using postal services. Delivery and returns are free of charge if the customer chooses the in-store alternative, while a fee may be charged for posting the item to the e-commerce warehouse in Borås, Sweden, depending on the value of the order. Unlike Åhléns, Hemtex uses a third-party logistics company that manages the warehouse activities in Borås. All returned products are therefore inspected and managed by personnel who do not work directly with the Hemtex company and are not specialized in textile- and homeware management.

4.1.2 Delivery- and Return Policies

Åhléns offers a range of different delivery and return options for its customers. The two main delivery alternatives are deliveries to a pick-up point or to any Åhléns department store. Åhléns

also offers a list of specialized delivery- and return alternatives, however, this thesis will solely focus on in-store deliveries and returns or via pick-up points.

The chosen delivery alternative will determine the price of the delivery. If the customer wishes to have the product delivered to a pick-up point, Åhléns charges an additional fee depending on the monetary value of the order to cover the freight costs. The delivery policy follows:

- Orders below 300 SEK - 29 SEK delivery fee
- Orders above 300 SEK - Free

Åhléns also offers its customers the possibility to return a product within 60 days, regardless if the product was purchased online or in a retail store. The product, however, must be unused and be in the same condition as when the product was delivered. To ease the returning process for its customer, Åhléns always attaches a return form and a consignment note to the package, where the customer can specify the reason behind a potential return. The price of a return is similar to the delivery policy that Åhléns adopts. To clarify, all returns to an Åhléns store are free of charge while returns from a pick-up point will include an additional freight fee of 39 SEK to cover the transportation costs to the warehouse.

The delivery- and return policies mentioned above are the policies Åhléns currently offers, however, Lindgren explains that Åhléns expects to offer free returns and deliveries to all customers in the future due to the growing competitive nature of markets for online companies. He adds that offering in-store returns for free is a strategic decision because it stimulates more foot traffic into the stores. Products that are returned directly in a department store can be made available for sale immediately, which alleviates the overall returns management process, making it more cost-friendly as it eliminates additional distribution routes to and from the e-commerce warehouse.

Hemtex's delivery- and return policies are not very different from what Åhléns provides its customers. Hemtex also offers in-store or mail delivery, among other specialized delivery options. The chosen delivery alternative and monetary value of the order determines the price. Their pick-up point delivery policies are the following:

- Orders below 600 SEK - 49 SEK delivery fee
- Orders above 600 SEK - Free

Hemtex's return policy, on the other hand, is also similar to Åhléns in which in-store returns are free, while customers who return their product at a pick-up point will in some cases be charged

extra. The customer has 30 days to decide whether they want to keep the product or not, regardless of where the purchase was made.

Bernlert explains that Hemtex works towards making it easier for the customer not only to order online, but also to return purchased items. As mentioned above, Åhléns always attaches a return- and consignment note to the package which eliminates steps in the customer returning process. Hemtex, on the other hand, does not always do so. In some cases, if a Hemtex customer wishes to return a product, they must print a return- and consignment note themselves. In the future, however, Hemtex would like to offer the customer a QR-code when purchasing a product, so that the pick-up point staff can scan this QR-code and print out a consignment note for the customer. Bernlert believes that this will ease the returns process for their customers and as a result create greater satisfaction.

4.1.3 Returns Management

The following text outlines the returns processes that the e-commerce division manages at each click-and-mortar company. These were specified during the interviews with Åhléns and Hemtex.

4.1.3.1 Returns Processes to Åhléns' Warehouse

As mentioned earlier, the customers at Åhléns are offered the possibility to return their items at any department store free of charge or pay the freight fee to the e-commerce warehouse in Stockholm. From an operations point of view, the returns processes for these two alternatives are relatively different. Firstly, if the customer chooses to send the returned item by mail, employees at the Stockholm warehouse will receive it directly. The ability to register their return on Åhléns' website before the package is delivered to the warehouse is not available for customers today, which means that the warehouse staff has no knowledge of the quantity or characteristics of the incoming returns prior to delivery. The returns processes at the warehouse are kept in-house, and the Åhléns employees are trained within warehouse- and returns management. When a customer wants to return an item, they fill out the return form and specify the reasons for the return, for example, incorrect size, general remorse, the product did not meet expectations and so on. This information will later give the warehouse staff an idea of what they will be dealing with before the package is opened and inspected. Even though the reason is clearly stated by the customer, an inspection is still made to ensure that the stated reason is accurate and corresponds with the condition of the product. The process of opening the package and checking the conditions of the items is vital, Lindgren explains, as it will determine if the product will be able to be resold online or if it must go a different route. If the item is approved by the staff and the returns criteria, it goes back on the

shelf and is available for customer purchase once again. In this case, the warehouse staff will repackage the item and for textile- and clothing products be refolded. However, if the item does not meet the criteria, it will either be thrown away, donated to a charity organization, or be transported to outlets for discounted prices. In other words, when returned items cannot be sold, another outbound flow of goods will be created from the warehouse.

Furthermore, Lindgren states that the average processing time from which the returned item is delivered to the warehouse from the transportation company and until it is available for sale again is roughly 3-4 days. The total lead time, from which the customer receives the product, decides to return it and deliver it to the warehouse, including the internal processes at the warehouse, can vary between one to two weeks. Since the total lead time is relatively long, Lindgren believes that it is imperative that the returns management process is made as simple as possible for the customer and kept at a high level of efficiency.

4.1.3.2 Returns Processes to Hemtex's Warehouse

When a Hemtex customer returns an item directly to the e-commerce warehouse, the following returns management processes in terms of product inspection and reallocation are slightly different from the process that the Åhléns warehouse uses. Unlike Åhléns, Hemtex's returns processes are outsourced to a third party. Since repackaging is not a part of the job description of the warehouse staff, items that need extensive repackaging or are simply not in the original packaging, yet still in impeccable condition, will be given away or transported to textile recycling. The reason behind this is because most of the textile items are neatly folded in tight plastic packages, which Bernlert means is a labor-intensive procedure and requires trained staff. Furthermore, Bernlert explains that the customers' packaging demands for items sold online are higher than in stores because customers oftentimes expect that the products come in the original package if bought online. A minor product inspection will be carried out by the warehouse staff if the original packaging has been opened in order to determine if it has been used or not. If the packaging has not been opened, the product will merely be reallocated to a shelf and registered in the warehouse information system as being available for customer purchase again. Also, Hemtex mentions that there are not a lot of resources allocated towards returns management today, however, they expect their e-commerce sales to grow in the future, which may lead to greater investments in their returns management processes. Also, similarly to Åhléns, the customer does not register the returned item on the company's website before mailing it, making the return flows unknown to the warehouse staff. In addition, Bernlert estimates the average processing time from customer to warehouse to be a few weeks, depending on how long the distributing companies take to deliver and manage the package.

4.1.3.3 In-Store Returns and Deliveries

Regarding in-store returns, the proceeding returns management processes for Åhléns and Hemtex are somewhat more similar than the warehouse processes. Firstly, if the returned item meets criteria and can be resold, it will in most cases be placed on store shelves and be up for sale directly, instead of being sent back to the e-commerce warehouse. This is the case for both Åhléns and Hemtex. What differs is the online assortment at both companies. Hemtex offers a wider product assortment online because many of the larger products, such as carpets and furniture, cannot be physically stocked in the stores. This means that any returned item that is not sold in the store will have to be sent back to the warehouse in Borås. The opposite case exists for Åhléns, where the product assortment is greater in most of the department stores. Returned items can therefore be reallocated to the store shelves immediately, which makes in-store returns a less costly alternative. However, smaller department stores will have to send the item back to the e-commerce warehouse. Lindgren emphasizes that in an ideal world, Åhléns would only allow store returns if the item is included in the department store's product assortment. However, Lindgren states that this is not feasible because the benefit simply does not exceed the cost as it complicates the returns process for the customer. Nonetheless, as a result of a product not being resold at a store, an additional flow of goods will be created to the e-commerce warehouse for both companies, which is considered to be a pure cost for the companies.

A distinction between the two click-and-mortar companies is that in-store deliveries are dealt with differently when the customer has ordered online. In Hemtex's case, when a customer has chosen a particular store to retrieve their order from, the store will be notified and asked if the staff can pick the product directly from the store shelves. In those cases, where the product is not in stock, the item will be sent from the warehouse. If a Åhléns customer, on the other hand, chooses the in-store delivery option, the item will always be shipped from the central warehouse in Stockholm. This means that an additional transport route in some cases is eliminated for some customers' orders at Hemtex, however will always be created with Åhléns customers. Bernlert explains that even though an additional revenue was generated once Hemtex opened up for e-commerce in 2008, it also created additional costly cash flows, return flows, new IT-systems that needed to be incorporated with their initial enterprise system. This results in an additional complexity that Hemtex actively tackles, despite in-store delivery and return alternatives eliminating some transport routes.

Returning products to a store is something both Hemtex and Åhléns prefer from an efficiency point of view. Lindgren and Bernlert both agree that it is the easiest and most cost-friendly way to resell

a returned item and it can even be beneficial for the customer in terms of dialogue and communication with an employee at respective store. Bernlert states that in-store returns can create additional sale opportunities because customers can communicate their wishes directly to store personnel and as a result leave the store with their demands met. Both Lindgren and Bernlert also agree that free in-store returns are a way of gaining more foot traffic into the retail stores. However, another aspect that differs Hemtex from Åhléns in terms of in-store returns processes is the fact that the benefit of returning an item to a store is relatively greater in comparison to Åhléns. As mentioned earlier, if a returned package has been opened and sent to the Hemtex e-commerce warehouse, it cannot be resold and thus be disposed. On the other hand, if an opened package is returned to a store it can still be placed back on the shelves and be available for sale. In other words, receiving a returned good to a store gives the product a second chance of being sold. Non-faulty products that are returned at Åhléns, however, can always be sold again, regardless if the package has been opened or what channel the customer has chosen to return the good in. This is because Åhléns has invested in trained warehouse employees who also repackage and refold items as a part of their job description.

4.1.4 Avoidance

Avoidance is the process of minimizing the number of requested returns by the customers. Companies that do this successfully can reduce returns-related costs and increase profitability (Rogers et al., 2002). Both Åhléns and Hemtex agree that they work with avoidance up to a certain extent in order to reduce returns and increase customer satisfaction.

Lindgren explains that Åhléns offering in-store returns for free is a way of encouraging the flow of returns to the department stores. Although this does not necessarily mean that the quantity of returns decrease, this is believed to ease the process of controlling the return flow. Lindgren discusses that the in-store returns at Åhléns are usually easier and less costly, since they have the possibility to sell the product immediately after the administrative processes have been made after a return. Therefore, they can avoid unnecessary returns to the e-commerce warehouse. Lindgren mentions, however, that Åhléns currently does not make use of statistics and extensive data in their avoidance process, yet they expect to do so in the future if e-commerce sales and the number of returns increase. He adds to this by stating that making greater use of data on returns will be able to raise efficiency levels as the company can have a deeper understanding of what factors affect and cause returns. In addition, encouraging in-store returns by offering it for free is also a strategic approach that Hemtex also adopts. Bernlert also explains in-store returns generate a greater overall value for the company as the product can be resold and can be a beneficial way to manage the

returns system more efficiently. Both Hemtex and Åhléns also mention that most of their returns today are in-store returns.

During the interview with Bernlert, she mentions that Hemtex also works with avoidance by improving the product photographs online. Hemtex embodies such an avoidance strategy by taking all of the product pictures themselves. To ensure that the customer is provided with a correct perception of the product's appearance, the company both takes simple product pictures as well as pictures of the product in a particular setting. She also mentions that they work with displaying the textile colors in a correct way.

4.2 Pure Player

The following text outlines the returns processes that each pure player company manages as a result of their pure online sales. These were specified during the interviews with Care of Carl and Company X.

4.2.1 Pure Player Company Backgrounds

The following companies were also interviewed for the purpose of collecting data on pure play companies. The first person who was interviewed was Andreas Thieme (Thieme) who manages the logistics activities at the Swedish online menswear company, Care of Carl. Care of Carl is a pure play company that specializes in premium clothing brands for men and is currently selling to all Scandinavian countries, including Finland. Care of Carl's headquarters and warehouse are situated in Borås, Sweden, which is where all inbound and outbound logistics are managed, including flows to and from the remaining Scandinavian countries.

The second pure player that was interviewed wished to be anonymous, so they will be called Company X throughout the thesis. Company X is a Swedish online store that sells a wide range of products within the fashion industry, including cosmetics and some homeware. Company X is one of the biggest online fashion stores on the Nordic market and sells to most European countries. Company X's warehouse is situated in the south of Sweden. If the parcel is sent within Sweden and in some other European countries, a prepaid consignment note will be enclosed in the package. Other European countries however, are not offered free returns.

4.2.2 Delivery- and Returns Policies

Care of Carl provides free deliveries and returns to its customers, in addition to other delivery alternatives that include an extra fee. For smaller packages, they offer delivery by mail directly to

the customers' mailbox. In terms of larger packages, Care of Carl also offers specialized home deliveries or distribution to a pick-up point, where the customer can pick up their delivery themselves. As described by Thieme, one of their main focuses in terms of their returns management is making the returns process as simple and quick as possible for the customer. Along with the ordered products, the company encloses a prepaid consignment note in the parcel so it can easily be sent back by the customer if a return is made. Nevertheless, a return will only be registered in the company's system once the warehouse in Borås has physically received it. In other words, the customer does not have the possibility to register the return electronically before the parcel has been collected at the warehouse.

Care of Carl offers the ability to return a purchased product within 14 days, counting from the day the customer has the package delivered, provided that the item has not been used or altered. If Care of Carl makes the judgement that the product is used more than what is considered necessary for trying it on, they will cancel the refund and claim the return as unaccepted. If the customer wishes to exchange the product for another, the return will be free of charge, as long as the return note is used to specify what change wishes to be made.

Company X's representative describes that whether deliveries are free of charge or not depends on the order value. Deliveries to a pick-up point are free of charge if the monetary value of the order exceeds 499 SEK, if not, the delivery will cost the customer 49 SEK. Company X offers free returns for its customer within Sweden, which they mean is also a returns strategy that most Swedish e-tailers utilize today. The representative states that a free returns policy is something that Swedish customers expect today, placing returns policies in a critical role for competitive advantage. Some return flows from international customers are however always charged for the freight.

The representative also mentions that they value a quick returning processes for the customers. For instance, by ensuring that refunds for the returns are realized as quickly as possible in order for high customer satisfaction to be achieved.

> *"We do this to create a loyal customer base that understands that Company X is trustworthy and can offer fast service. Speed is a large competitive advantage in this industry." (translated by thesis authors)*
>
> *- Company X representative*

4.2.3 Returns Management

As explained, pure play companies only distribute products online and thus customers rely solely on the product information provided on the company's website prior to a purchase. Care of Carl and the anonymous company, Company X, both sell high-end clothing, amongst other things, which requires thorough and accurate product information in order to minimize the flow of returns. The returns process for customers at Care of Carl and Company X is similar to the one that both Åhléns and Hemtex have for their e-commerce sales. In other words, customers who receive a package from both pure player companies will also receive an attached return note that will indicate the reason for the return and a pre-paid consignment note in order for the postal services to be free of charge.

4.2.3.1 Returns Processes to Care of Carl's Warehouse

Thieme, the logistics manager at Care of Carl, states that the proceeding returns management processes, after which the e-commerce warehouse has received an incoming return, are relatively labor-intensive. All the returned items must be inspected thoroughly and compared to the stated return reason made by the customer on the return note. The e-commerce warehouse in Borås operates in-house by trained staff who are skilled within repackaging, product inspection and warehouse management. The product inspection and the criteria that must be met are considered to be very strict. Thieme argues that pure play companies have a higher degree of customer demand regarding the appearance of the product's package and how neatly the garment has been folded. He continues by explaining that customers who shop in stores understand that the garments on display are expected to be used to some extent due to the accessibility of changing rooms. If an item is bought online, on the other hand, the customer expects the garment to be completely new and not worn. Hence, the process of refolding and repackaging is therefore a vital part in making the item purchasable again.

Thieme moreover explains that there is a clear distinction between reasons behind different purchases and returns. This understanding of customer- and return behavior is due to the company's data collection. He states that there are separate flows of returns that consist of products coming in from customers who:

1. Order several sizes of the same item intentionally and return those that do not fit
2. Have ordered the wrong size due to the lack of information or understanding of the fit and size of the item
3. Never had the intention to make a purchase in the first place, but only created an order to wear the item for a particular time frame and then return it. Thieme claims that this is a

direct result of social media and the desire to post photos of trendy brands in order to increase following online.

4. Have received a faulty or damaged product

Depending on the reason behind the return, the item will be dealt with accordingly. Products that cannot be resold stand for approximately four percent of the total reverse flow of returns at Care of Carl. However, if a customer contacts Care of Carl regarding a flaw in the ordered product prior to returning it, Care of Carl will pay for any additional costs related to tailoring or repair if this is possible. If the product cannot be repaired it must be sent back to the warehouse for further inspection, in which a decision will be made about the disposal of the item. These garments will either be sent back to the supplier, transported to a third party who specializes in sustainable textile recycling or be donated to charity. As seen above, some customers choose to order several sizes of the same garment, and thus the return value is at times higher than the order value.

The average total lead time for Care of Carl's returns management process takes about 4 days from which the customer returns the item until it is available for sale again. Thieme estimates that it takes roughly 2 days for the customer to decide to return an item, 1.7 days for the item to reach the warehouse and depending on when the package is delivered to the warehouse the item should ideally be up for sale again by the end of the day. In other words, a total lead time of roughly one week. For sales outside Sweden, the lead time will be slightly longer as the transportation route is larger where in some cases border control and customs are involved. Thieme also explains the importance of short lead times as product life cycles are shorter today than before. He discusses further that some products are only trendy for a short, yet intense period of time, meaning that if a returned product is not quickly up for sale again, this product could lose its popularity or not be in season within a couple of weeks.

4.2.3.2 Returns Processes to Company X's Warehouse

The returns management process at Company X is comparable to the one managed at Care of Carl. The major difference between the two is that Company X is a larger company with a larger intake of returns. Since the quantities of returns are much higher, the company has focused a substantial amount of resources and technology into making the returns management process as automatic and efficient as possible. The warehouse receives daily deliveries of returns from different distributors around Europe. As reported by the fulfillment director at Company X, they currently work with nine different distributors that collect and deliver returns to the warehouse. Returns are delivered continuously during the day which puts a considerable strain on the speed and efficiency of the return flows passing through the warehouse system.

When the returned items have reached the warehouse, they will be electronically registered and transported in large warehouse cages to the returns department. The returns department consists of trained staff that manage one cage at a time and will prioritize those items that have been in the system the longest. Every package will be inspected by a single employee, similarly to the inspection process at previously mentioned companies. Accepted returns will be repackaged and will be placed on an automatic conveyor belt that will scan the package and make an automatic refund to the customer. In addition, this will trigger an email to be sent to the customer, informing them that the return has been processed and a transaction has been sent from the company. Once this process is completed, the item will be allocated back to its original location and be available for customer purchase again. However, if a returned item does not meet the returns criteria, it will be sent to a different department in the warehouse which consists of specially trained employees who solve problems regarding faulty or damaged products. Items that cannot be sold again are either donated to charities or destroyed. The customer will then be informed about the return not being accepted.

The market that Company X sells and distributes products to is much larger compared to Care of Carl's market. This means that the total lead time for the company's returns varies massively depending on which region or country the item has been returned from. Nonetheless, all of the nine distributors that Company X collaborates with, follow strict demands on lead times which allows a certain time interval for the returns to arrive at the company's warehouse. Also, the warehouse employees work under a policy that states that the customer should be refunded within 24 hours from which the returned item has reached the warehouse, provided that no unexpected event has occurred along the way.

4.2.4 Avoidance

Thieme infers that diverse brands and markets offer different fit and size measurements of garments and that no true standardized guideline exists. He argues that customers have contrasting requirements in terms of the fit of clothing and that this is something that fluctuates as trends change. In order to offset the variations in fit and size, Care of Carl's design team measures and examines all procured garments prior to sale to make sure that customers can rely on a single sizing guideline for all of the products available. By doing so, Care of Carl informs the customer about a product's particular fit depending on what physical textile measurement the garment has. This allows the customer to make reliable sizing choices and can therefore reduce unnecessary returns due to poor product information. Another avoidance strategy that Care of Carl implements is

photographing all garments themselves, despite receiving product pictures from their suppliers. Displaying their own photography on the company's website is a way to guarantee that the product picture is true to its nature and that the customer receives the most reliable depiction of the item. This reduces the possibility of surprise when receiving the item and can potentially reduce the risk of customer remorse.

Care of Carl also uses information systems and statistics as an additional method of avoiding unnecessary returns. Using technology, they can collect information about what products have high return rates and for what reasons, and perform statistical analysis in order to complement product information and increase accuracy. Thieme claims that if a product has had an unusually high return rate, for instance due to complaints about the garment being too small, Care of Carl may have to change the product information online in order to decrease future returns of the same product.

The representative from Company X indicates that incorporating avoidance strategies and progressively decreasing the number of returns is always going to be an ongoing process. To achieve fewer returns, and similarly to Care of Carl's strategies, Company X actively works with increasing the accuracy of product information on their website so that the customer is well informed about product attributes. Like Care of Carl, informing about the general fit of the garment is considered to be an essential part of their avoidance strategies, according to Company X.

The Company X discusses an area of improvement within avoidance, which in the future could be the possibility of introducing membership programs and digital return notes for loyal customers. The company believes that this could lead to better information about returns as well as easing the preparatory return processes at the e-commerce warehouse. For instance, using a digital return note the customer can register the return on the company's website, informing the warehouse about an incoming return and what it contains. With this knowledge, the warehouse staff can prepare the following procedures and processes in advance and thus increase efficiency.

4.3 Survey

The following section describes the results of the survey that was available for Swedish members on diverse social media platforms. Each subheading represents one or two of the questions asked in the survey and the answers that were given. However, since the survey was directed towards customers who have made returns in Sweden, these questions were written in Swedish. An illustrative representation of the answers in English is provided in the appendix.

4.3.1 Customer Preferences in Delivery- and Return Alternatives

The first question in the survey asked whether the customer prefers to have a product delivered to a retail store or to a pick-up point. Secondly, whether the customer prefers in-store returns or pick-up points. Regarding the delivery alternatives, 80%, 104 people, answered that they preferred to receive the item at a pick-up point, while 20%, 24 people, replied that they prefer to have it delivered to a store. In other words, the majority of the 130 respondents prefer to receive a package at a pick-up point rather than collect the order at the company's retail store.

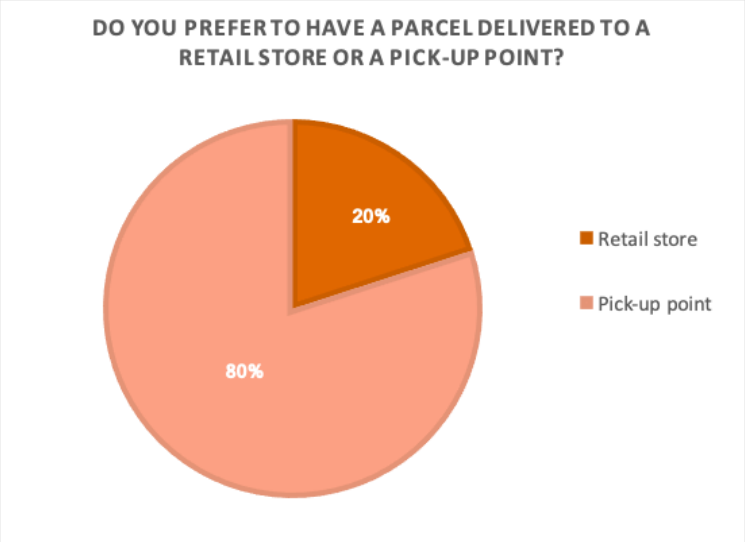

Figure 1. Delivery Preferences. Shows the overall answers from the survey regarding delivery preferences.

Regarding the returning options, no overriding alternative existed. 50% of the respondents preferred to return an item at a retail store and the remaining 50% preferred to return it at a pick-up point.

Figure 2. Return Preferences. Shows the overall answers from the survey regarding returns preferences.

4.3.2 Importance of Prepaid Deliveries and Returns

The third question asked the respondent to rank how important prepaid deliveries are to them as a customer. In this question, five possible answers (1 - 5) were possible, in which 1 classified as "Not important" and 5 classified as "Crucial". From a general perspective, the majority of respondents (53,1%, 69 people) ranked the importance as 4, which is considered important, however, not crucial for a purchase to be made. All the responses were the following:

Table 2. Prepaid Deliveries

Answers	Number of Responses	Percentage
Rank 1 "Not important"	7	5,4%
Rank 2	4	3,1%
Rank 3	29	22,3%
Rank 4	69	53,1%
Rank 5 "Crucial"	21	16,2%

As one can tell by the given table, the overall answers are leaning towards free deliveries being of high importance, and in 16,2% of cases, completely crucial and decisive in terms of creating an order. A small minority of the respondents indicated that priced deliveries were of no or little importance.

In terms of returns, there is a strong indication that free returns are of high importance. 44,6%, 58 people, responded that free returns play a crucial role in purchasing items online while 39,2%, 51 people, answered rank 4 and thus believe it is of high importance, yet not completely decisive. All the answers were the following:

Table 3. Prepaid Returns

Answers	Number of Responses	Percentage
Rank 1 "Not important"	3	2,3%
Rank 2	4	3,1%
Rank 3	14	10,8%
Rank 4	51	39,2%
Rank 5 "Crucial"	58	44,6%

As indicated by these figures, a minority of the 130 responses believe that free returns are of little, moderate or no importance.

The fifth question, which falls under the same category of questions, asked the respondent to indicate what the possibility is of them choosing a delivery and/or returns alternative that is free of charge over a more desirable alternative. The respondent was again given five possible answers, in

which 1 classified as “No possibility” and 5 “Strong possibility”. The following answers were given:

Table 4. Possibility of Prioritizing a Free Alternative

Answers	Number of Responses	Percentage
Rank 1 “No possibility”	6	4,6%
Rank 2	10	7,7%
Rank 3	11	8,5%
Rank 4	34	26,2%
Rank 5 “Strong possibility”	69	53,1%

This question aims at understanding further what role price has in deciding and evaluating delivery and returns alternatives for customers. For instance, in this case, a customer may still prefer to return an item at the pick-up point, however, if returning the parcel at a store is free of charge this may alter the final returns choice. As the figure indicates, more than fifty percent of the respondents claim that there is a high possibility that they will choose a free delivery and/or return option over one that may be more desirable and convenient. Only 6 out of 130 people responded that there is no possibility that they will prioritize a free delivery and/or returns alternative over a more convenient one.

4.3.3 Intentionally Ordering Several Sizes

The fifth question asked the respondent to indicate whether they intentionally order several sizes and then return those that do not fit when purchasing clothing and/or shoes online. This question was asked since some of the companies interviewed mentioned that this at times causes problems for them, as the returned value sometimes is higher than the order value. The following answers were given:

Table 5. Several Sizes

Answers	Number of Responses	Percentage
Yes, usually	10	7,7%
Sometimes	39	30%
No, never	74	54,9%
I do not order clothing or shoes online	7	5,4%

An overriding percentage of respondents, 54,9%, indicated that they have never ordered several sizes intentionally when purchasing clothing and shoes online. The relatively small percentage of respondents who order several sizes intentionally indicates that this is not a usual practice, while 30% of respondents may do so in some cases.

5. Analysis

This analysis chapter compares the theoretical framework with the empirical data that has been collected for the purpose of this study. The relevant themes that were discussed in the theoretical framework section have been evaluated in relationship with the main insights and results that were gained during the company interviews and from the survey.

5.1 Returns Management

As stated by Bernon et al. (2011), despite reverse logistics having such an imperative role in supply chain efficiency, a large amount of research has not been dedicated towards this area. This attitude towards reverse logistics was also detected in the interviews that were conducted during the research of this thesis. Both click-and-mortar companies, Åhléns and Hemtex, agreed that as a company they do not allocate a large quantity of resources towards managing their reverse logistics activities, because they do not regard this as being a vital problem area in the company. In the future, however, they expect return flows to increase in accordance with the overall increase in e-commerce sales. Thus, they predict they may have to invest in their returns management processes by working with more advanced information systems, data collection and other efficiency improvements.

On the other hand, Bernon et al.'s (2011) statement regarding the lack of focus on reverse logistics, may not be applicable to the responses given by the interviewed pure player companies. As Thieme discussed in the interview, Care of Carl has a clear understanding of what products are being returned and for what reasons, and thus they have the ability to clearly create a distinction between return flows. This is one of the benefits from collecting large amounts of data about customer purchases and returns and therefore thorough data analysis can be achieved. Company X has also invested in their reverse logistics activities, by incorporating technologically advanced systems and automating parts of their returns management processes in their central warehouse. As the returned product moves through the warehouse it will be electronically registered into the company's information system. This allows better control and management of product flows in the warehouse and consequently, a deeper understanding of what products are returned and for what reasons. Thus, based on the answers given during the interviews, both pure player companies hold a stronger attitude and regard towards reverse logistics, unlike the click-and-mortar companies that do not dedicate large amounts of resources to their returns management. For instance, Company X have invested in technology systems that make large parts of their processes automatic, while Hemtex has completely outsourced this process to a third-party that do not specialize in this area.

5.1.1 Gatekeeping within Returns Management

Hjort (2010) means that gatekeeping is an important part of returns management because it can lower costs and increase customer satisfaction. He also mentions that gatekeeping is especially important among companies with online presence because their total returns process is usually longer than companies that only distribute goods and services using physical retail stores. Therefore, when gatekeeping activities are carried out inefficiently, there is a higher risk that the market value of the product will depreciate, due to constraint on time (Hjort, 2010). Accordingly, it is imperative to quickly determine whether the returned product should be accepted or not and be able to quickly reallocate it to the appropriate location within the e-commerce warehouse (Hjort, 2010).

As stated by Thieme, the Care of Carl warehouse staff ideally processes the return at the warehouse within a day, allowing the accepted return to be up for sale by the end of the working day, depending on the arrival of the return. Thieme claims that due to short life cycles of many fashion products, the returns processes within the warehouse are detrimental for future sales of returned items. Also, Lindgren at Åhléns explains that the external lead time for returns sometimes is relatively long, due to customers' indecisiveness and distribution time, and that it is important to keep internal returns management processes short. As discussed previously, both Hemtex and Åhléns steer their return flows to their stores by offering in-store returns free of charge. This is due to a more effective gatekeeping process in stores. Hemtex and Åhléns can quickly evaluate the product along with customer communication, and often, they can reallocate the product in the store so that it is quickly up for sale again. For click-and-mortar companies, this is a way to shorten the returns management lead time. Company X adds to this idea by stating that customers value a quick returns process, and that they wish to be informed about the product's arrival at the warehouse and especially regarding a potential refund. Together with Hjort's (2010) claim about longer lead times for online companies and short product life cycles, one can conclude that it is imperative for both types of companies to value gatekeeping activities highly.

5.1.2 Avoidance within Returns Management

As mentioned previously, avoidance is the process of minimizing the number of returns during early stages through, for example, increasing product quality, product information or sizing guidelines (Hjort, 2010). As stated by Rogers et al. (2002), avoidance strategies can have a positive impact on overall company efficiency. This belief is supported by the information given during the interviews with both types of companies. All the companies that were interviewed mentioned that avoidance is something that they continuously work with. For example, the pure player, Care of

Carl, creates their own sizing guidelines as additional information to the ones the suppliers offer. As explained by Thieme, this is because different brands and countries offer diverse fit to their garments, which do not always match Care of Carl's Nordic customer preferences. In addition, the company takes their own product pictures, that they believe match their customers' preferences and inclinations. Thus, these examples are in line with what the literature within the avoidance area states.

Company X also explains that they continuously work with decreasing the return percentage by increasing product information on the website, by using sizing guidelines and notifying the customer about the general fit of the garment before a customer purchases a particular size. Åhléns did not mention that they work specifically with avoiding returns in general, however, they try to control and steer the return flows towards in-store returns in order to ease the returns management processes for the company. Hemtex, on the other hand, works with avoidance strategies that are more similar to the strategies that the pure player companies have. In addition to steering the returns flows to the stores using liberal return policies, they also take advantage of detailed and accurate product visualization provided on the company's website. Similarly to the pure player companies, Hemtex chooses to impact the return flows as early as possible rather than after a purchase is made. In summary, Åhléns adopts a passive approach to avoidance while Hemtex works more proactively like Care of Carl and Company X.

Both Hemtex and Åhléns use their returns policies to control and steer the return flows towards their stores. However, as mentioned in the *Problem Area* section and under *Returns* in the theoretical framework chapter, companies at times struggle with what delivery- and return policies to adopt. Rogers et al. (2002) states that it is common for companies to have liberal return policies because they believe this will be in favor of profitability and sales. However, as shown by the recently published articles discussed in the *Problem Area*, companies are now changing from more liberal return policies to stricter ones. This agrees with the statements made by Shulman et al. (2011) regarding the negative impact returns can have on the overall profitability of the company. Shulman et al. (2011) identifies two main causes of a decrease in profitability as a result of return flows. Firstly, the depreciation of the product's value and secondly, the incurred costs of the returns management processes. It is worth mentioning that *RetailDetail* (2019a) speculates whether the German company, Zalando, have had to change their delivery- and return policies in some European countries as a result of loss of profits. As previously stated, delivery- and return policy experiments carried out by Zalando have shown that a correlation between such policies and company profitability might exist. For instance, an experiment carried out in Italy showed that

when Zalando introduced return- and shipping fees on certain orders, profits increased. Nonetheless, Shulman et al. (2011) also suggests that non-liberal policies can have a negative effect on the customer's willingness to pay. This understanding also corresponds with Company X's statement regarding that the customers expect free returns today, which is also why they offer returns free of charge.

5.2 Advantages in Click-and-Mortar Companies vs. Disadvantages in Pure Player Companies

The following text describes identified advantages that the interviewed click-and-mortar companies experience that are contrasted with disadvantages that pure player companies encounter. In some cases, the advantages that click-and-mortar companies benefit from are a direct consequence of their use of retail stores, hence becoming a disadvantage for those companies with sole online presence.

5.2.1 Operational

Firstly, one of the advantages that both Åhléns and Hemtex benefit from is the fact that both companies have the possibility to receive customer returns in physical stores and later resell the items immediately from the store shelves. From a strict cost perspective, this is something that is greatly advantageous, S. Lindgren explains that having the customer return an item to one of Åhléns department stores allows the company to save costs that are related to repackaging, and it also increases the chances for the item to be resold when it is displayed in a store. As Rogers et al. (2002) states, a company's return cost can amount up to four percent of all logistics costs. Thus, making it of high importance to mitigate costs related to returns management. Another study (Shopify, 2019; Statista, 2019) shows that returns costs are expected to increase in the near future. However, one must also consider the additional costs of having physical retail stores (Business 2 Community, 2016; Bendoly et al., 2005).

The ability to resell the returned item more efficiently in a store is something that Hemtex also benefits from. As mentioned earlier, if an item has been ordered online and removed from its original packaging, it will not be able to be resold online again. In this case, the returned item will be disposed or recycled and will therefore be a direct cost for the company. Bernlert further emphasizes that it is easier and more efficient to inspect an in-store return, as the store personnel are trained and experienced in these tasks. As previously discussed, Hemtex outsources its returns management activities to a third party with staff who are not specially trained in inspecting textile- and homeware products. However, if this is done in a Hemtex store, a better judgement can be

made regarding the return itself, which minimizes the risk of mistakes. As Rogers et al. (2002) conveys, including a third party creates an additional complexity in the supply chain. Also, Bernlert explains that adding an e-commerce division in their company has created more complexity, and that outsourcing to a third-party is one reason behind this added complexity.

An additional advantage that Hemtex experiences is the ability for customers to order products online but retrieve it in a Hemtex store. If the chosen store has that specific product in stock, this eliminates an additional transport route from the warehouse to the customer and is considered to be a cost- and environmentally friendly alternative to postal deliveries. This can be contrasted with the pure players, Care of Carl and Company X, that must ship the product from their central warehouse. In this case, transportation costs will always be incurred when an order comes in, which in contrast with Hemtex and Åhléns' circumstances, can be considered a disadvantage.

Finally, a disadvantage that Company X mentioned, was that they are very dependent on their distributors that they are working with. Today, Company X works with nine different distributors, some who ship products to different countries. Company X mentions that how fast they can handle their returns depends on how quickly their distributors can deliver them. Company X explains that they have certain requirements on the lead times the distributor have before they must deliver a return. However, when answering our questions about efficiency losses in the returns management process, Company X find that they have more challenges externally than internally, since a large part of their returns management process depends on their distributors. The company states that in order for more efficient returns management, their distributors need to collect a larger quantity of packages, use faster transportation modes and increase their service levels. Rogers et al. (2002) adds to this idea when explaining that returns management processes highly depend on external stakeholders, such as distributors, which they also explain creates some complexity in the supply chain. In summary, this might be a disadvantage that is more apparent for pure players than click-and-mortar companies because click-and-mortar firms can partially rely on stores' stock, while pure players are almost entirely dependent on their distributors' ability to deliver on time.

5.2.2 Customer Orientated

Another advantage with in-store returns that both Åhléns and Hemtex claim is the ability to open up for dialogue and communication with the customer. Lindgren highlights that having free returns to an Åhléns department store is a strategic way of encouraging foot traffic to the retail stores, which potentially strengthens the company's competitive position compared to other pure player companies. Encouraging in-store returns not only allows the store staff to give further advice and

service, but may also increase the chances of the customer leaving with more items, which is a direct advantage that pure players may not benefit from, something that Lindgren speculates about. Bernlert agrees with this idea and adds that the chances of the customer leaving with the same item, yet in a different color or material is a common consequence of a customer return made in a Hemtex store. On the other hand, due to pure players not having a physical space where customer service and dialogue can occur, it may be more difficult to spur the customer to make a new purchase or simply change their item when returning a product. In addition, pure players may have a harder time communicating and providing personalized service to their customers through an online platform, compared to face-to-face interaction.

Ashman and Vazquez (2012) stress that visual merchandising plays an important role in making sure that the customer is provided with the most accurate product information as possible. In comparison to click-and-mortar companies, pure players single-handedly rely on the product information on their website, while click-and-mortar companies can also rely on the information provided by their store staff regarding product attributes and functions. Both Lindgren and Bernlert agree that the ability to transform a return to a new purchase, along with personalized service offered by skillful staff are considered to be two of the largest advantages that click-and-mortar businesses possess compared to pure players.

This statement is also in line with Ashman and Vazquez (2012) who explain that the inability to examine a product before a purchase is a common disadvantage that pure players single-handedly suffer from. Pure players do not use retail stores in order to display their products, and as a result customers of such companies are not able to inspect or feel the product before a purchase (Ashman & Vazquez, 2012). This is especially difficult in terms of fashion items where fit and size play an additional role in decision making (Ashman & Vazquez, 2012). The authors clarify by stating that this factor can be considered a disadvantage for pure players because it relies on the customer having to guess whether the product matches their preferences and needs, solely using the photographs and product information provided on the company's website. This circumstance can be easier for click-and-mortar customers because if a customer is unsure about a purchase, they can visit a store and take a closer look and maybe even converse with an employee in order to receive a full understanding about the product and its attributes. As this is not possible at pure player companies, some customers choose to order several sizes, colors, designs and so on in order to compare their product choices at home, which is an experienced problem at Care of Carl. This is reinforced by Bernon et al. (2016) who claim that return levels are double for pure player companies, in comparison to multi-channel companies.

Something that all four companies mention is that customers usually have higher product expectations when ordering online, however, this was especially emphasized by the pure players. Both Bernlert from the click-and-mortar business, Hemtex, as well as Thieme from Care of Carl mentioned that this could be a problem when managing returns in their e-commerce warehouse. Due to higher expectations when ordering online, the unpacking and the gatekeeping processes are high importance. As Hjort (2010) mentions, efficient gatekeeping can lead to lower costs and greater customer satisfaction, which he states can be crucial for e-commerce sales. Efficient screening and reallocation is something that requires trained personnel in the e-commerce warehouse, so that they quickly can decide whether a product is in good enough condition to be resold. Not only does the customer have high expectations regarding unworn products, but they also expect a decent packaging of the product. Therefore, repackaging skills are required of the warehouse personnel as well. This is considered to be an essential requirement for pure player businesses because their entire outbound flow of products come from their warehouses. This might indicate that a pure player suffers from higher customer expectations in general, compared to click-and-mortar firms that can partly rely on lower expectations from store customers.

5.3 Disadvantages in Click-and-Mortar Companies vs. Advantages in Pure Player Companies

The following text has the similar structure as above. However, in this section disadvantages in click-and-mortar companies are contrasted with advantages that benefit pure player companies.

5.3.1 Operational

There are also some disadvantages and difficulties that both Åhléns and Hemtex experience as click-and-mortar businesses, yet may be considered advantages for pure players. Firstly, in order for click-and-mortar companies to fully take advantage of their stores, the returned item must be able to be resold in the store. If the item cannot be resold, for instance because it is not in the store's assortment, a transportation route will be created back to the warehouse in any case. In that event, such a transportation route does not add value and only generates a cost for the company. From a logistics point of view, being able to control and direct which store the customer can return a good in, is considered ideal, yet impractical, Lindgren explains. In other words, having the customer return a good to a store is only beneficial if the customer leaves with additional purchased items or if the returned product can be resold in that same store. Lindgren also acknowledges that some products have a shorter life cycle than others, which makes the overall lead time critical. Shulman et al. (2011) explain that returned products depreciate over time and therefore do not hold the same

value as new products. This statement agrees with Lindgren who emphasizes the importance of short lead times and having the item up for sale as quickly as possible. If an item is returned in a store that does not have that item in stock, the lead time will increase as it will have to be sent back to the e-commerce warehouse. Simply put, instead of making sure that the returned product is moved to the correct place initially, it takes a detour through a store, leading to a longer lead time. This is a problem that pure players do not suffer from as all of their returns go directly to their warehouse, with no detours that can potentially extend the lead time. When product life cycles are so critical, it is advantageous if the transportation route is kept relatively short. In essence, an advantage that the interviewed pure players benefit from, in comparison to the click-and-mortar firms, is a shorter total lead time for its returned products.

Another disadvantage that specifically Lindgren mentions is that providing different return options creates an uneven distribution of products throughout the country. He explains that a customer may purchase a product in an Åhléns department store in Stockholm one day, but may return it in a different city with a different product assortment another day. Having an uneven distribution causes inefficiencies and in some cases, additional costs due to most department stores varying in size and assortment and thus some returned goods must be reallocated back to the central warehouse in Stockholm. Lindgren and Bernlert agrees that this is an advantage that pure players experience since they only need to manage a single flow of products, while click-and-mortar businesses possess a more complex network of flows when they simultaneously manage both e-commerce and retail store deliveries and returns. From a larger perspective, online shopping provides an additional opportunity for sales, yet it adds a complexity that requires an increasing amount of resources. According to Bernlert, an added complexity makes it more difficult for Hemtex to analyze and measure costs, time and other resources that are allocated towards returns management.

5.3.2 Consumer Behavior Analysis

A difference which was identified between the click-and-mortar companies and pure players was that the pure players collect more data and statistics regarding their returns management processes compared to the click-and-mortar companies. For example, Bernlert at Hemtex mentions that it is difficult for them to estimate returns-related time and costs, because many of the returns are processed in stores where the time spent on returns is hard to analyze and measure. Since pure players do not sell any products in retail stores, this is not necessarily a problem for them. Care of Carl uses an information system that informs them about what items have been returned, for what reasons, and for what monetary value. According to Hjort (2013) return flows are not solely dependent on product features and attributes, but also affected by consumer buying and returning

behavior. By collecting data, it is easier for a company to analyze customer returning behavior, which might create a deeper understanding about what products are overrepresented, how to solve such problems and thus can decrease the cost of returns. Thus, according to Hjort (2010), some returns can be avoided by collecting customer data and thus a deeper understanding of customer demand and buying behavior can be achieved.

5.4 Customer Perspective on Returns Management

As explained in the *Method* chapter, we chose to conduct a quantitative survey due to the recurrent discussion about customer perspective and demand during the interviews. When asked about the importance of free deliveries- and returns, the majority of the survey responses stated that as customers, they value liberal policies highly and that it plays an important role in purchasing decision making. As seen in *Table 2*, 16,2% of the respondents classified free deliveries as "Rank 5" which represents a crucial part the decision-making process and 53,1% classify it as "Rank 4" which is still considered to be of high importance, yet not crucial. A similar result is obtained when asked about the importance of free returns, where 44,6% agree that free returns are crucial while 39,2% classify it as being of high importance. These results are in line with Company X's reasoning regarding their free returns as a result of customer expectation and market competitiveness. This is also stated by Shulman et al. (2011) who believe that consumers can lose their willingness to pay when policies are not liberal enough and are instead more prone to buying products at companies with delivery- and return policies that match their preferences. According to E-barometern (2018), 86% of Swedish consumers believe returns should be free of charge, and 24% have intentionally avoided making a purchase because the return policies have not matched with the customers' preferences. This supports Shulman et al.'s (2011) argument, as well as the findings in our survey. However, as explained above, some e-tailers in Europe are now changing their delivery and return policies by introducing financial penalties (RetailDetail, 2019a). Nonetheless, Shulman et al. (2011) states that it is not yet certain if companies can enforce return policies in a profitable way. Not only is Company X's representative skeptical about this, yet S. Lindgren at Åhléns explains that they expect to offer free deliveries and returns for all customers in the future. The reason behind this, he explains, is due to the competitiveness on the market. By comparing the statements from both Company X and Åhléns, as well as the identified trends in changing delivery- and return policies in other renowned international companies, one can assume that there is a common trial-and-error attitude towards such policies and how to strategically tackle them while increasing profits and maintaining customer loyalty.

As seen in the results obtained by the survey, the majority of the respondents (80%) prefer pick-up point deliveries in front of in-store deliveries, while 20% disagree and prefer the contrary. In terms of returns, the returning method seems to be of divided opinion as 50% prefer pick-up points and the remaining 50% prefer in-store returns. Despite that there is no overriding opinion regarding preferable returns, both Hemtex and Åhléns state that most of their returns are in-store. However, this is something they suspect is due to it being free of charge. This is in line with the answers obtained from the question regarding the possibility of choosing the delivery and/or returns alternative that is free of charge over the more desirable option. 53,1% of the responses claimed that there is a strong possibility that they will choose the alternative that is free of charge over one that is more preferred. This indicates that the price of delivery- and returns weighs heavier than the preference of customers, and thus actually plays a crucial role in terms of distribution methods. Therefore, as proven by Åhléns and Hemtex, companies can strategically steer their return flows to some degree using their return policies and how they choose to price the given alternatives. However, as mentioned in the *Method* section, no personal information was collected from the survey respondents. Therefore, we have no knowledge about the respondents' life situation such as age, occupation, disposable income or gender. Subsequently, no other results than indicative conclusions can be drawn.

The concluding part of the survey asked the respondents whether they order several sizes of the same item when purchasing clothing or shoes. As seen in *Table 4*, the majority (57%) of the responses claimed that they have never done this, while 30% stated that this is something they sometimes do. In the interview with Care of Carl, Thieme conveys that there are five distinct types of returns depending on the reasoning behind them, one of which is due to customers ordering several sizes and returning those that do not fit. However, despite 57% claiming that they never order several sizes of the same item, one can conclude that those who sometimes or usually order several sizes still cause problems for companies' returns management processes. This customer behavior generates a pure cost for the company, which is supported by Thieme who claims that it is not uncommon that the return value is greater than the order value due to customers ordering several sizes.

6. Discussion and Conclusion

The intention of this chapter is to answer the given research questions regarding the returns management processes in two different distribution systems, by summarizing and drawing conclusions from the empirical findings and research of this thesis. The chapter concludes by explaining what additional research could be of interest in order to deepen the understanding of returns management in different distribution systems, as well as how customer opinion can be included.

The findings of this study have shown that there are several factors that affect click-and-mortar and pure player companies differently. However, issues regarding the growing number of returns due to the expanding online market has proven to be a dilemma that all four interviewed companies confront, regardless of their distribution methods. Nonetheless, due to the physical structure of their distribution system, methods of dealing with the growing quantity of returns may look differently between companies.

Firstly, the findings of the conducted interviews show that click-and-mortar companies deal with a more complex distribution network due to the parallel flows of goods coming to and from retail stores and the e-commerce warehouse. Due to this complexity, Åhléns and Hemtex experience some extent of difficulty related to efficiency and control. For instance, Lindgren expresses the difficulty associated with uneven distribution of products due to purchases and returns being made in different department stores that have different product assortment. Similarly, Bernlert conveys that it is more difficult for Hemtex to measure the resources allocated to returns management due to the additional flows of returns, cash and information due to their added e-commerce division. One can therefore assume that there may be a greater risk for bottlenecks and inefficiency issues for click-and-mortar companies due to this added complexity in the network. On the other hand, the added complexity that click-and-mortar firms can experience may be the opposite for pure player companies, as they only manage a single flow of returns. Care of Carl and Company X manage all their inbound and outbound logistics activities from their e-commerce warehouses in Sweden. In other words, there are no additional flows of goods coming in from stores across the country that need to be managed. Both Care of Carl and Company X express that they have incorporated technologically advanced systems that can collect large amounts of data and automate parts of the returns management processes to increase efficiency at the warehouse. These information systems also allow Care of Carl and Company X to better understand customer behavior as they can collect data from customers' purchases and returns.

Secondly, one of the most beneficial factors that click-and-mortar firms can take advantage of, in comparison to pure player companies, is the ability to resell a returned item directly from the store. After an accepted in-store return is made, the store personnel can put the item back on display and be resold, without waiting for any additional procedures to be completed. By contrast, pure player returns always have to be transported back to the e-commerce warehouse and undergo certain processes before the item is up for sale again. In other words, lead times can become longer for pure player returns compared to in-store returns that click-and-mortar can make use of. An additional advantage that click-and-mortar firms may benefit from, that pure players cannot, is that better customer service can be given to a returning customer. Bernlert conveys that the ability to personally communicate with store personnel increases the chances of the customer leaving with supplementary purchases or exchanging the returned item with another.

Another distinction that can be detected from the contents of the interviews is how the companies implement avoidance strategies in their returns management. A generalized conclusion is that the click-and-mortar companies, Åhléns and Hemtex, work closer with controlling and steering the product flows using delivery- and return policies, while the pure players, are more proactive in their approach by providing detailed product information in order to minimize returns as early as possible. Care of Carl, for instance, expresses that if a certain garment has been returned in abundance they will change the information provided on the website and hence notify the customer about the fit of the item prior to purchase so that the correct size can be selected from the beginning. In contrary, Åhléns tries to steer the flow of returns and encourage foot traffic in the retail stores by not charging in-store returns. Bernlert especially emphasizes that customer demands are usually higher for orders made online, compared to in-store purchases. Online customers typically require the ordered product to be untouched and thus come in original packaging, something that all companies struggle with to some extent. In-store customers, on the other hand, have lower expectations and understand that the item has most probably been used to some extent. This is expressed as a contributing factor to why in-store returns are more beneficial for click-and-mortar companies, compared to those returns that are shipped to the e-commerce warehouse. In-store returns are also an opportunity for click-and-mortar companies to shorten their internal returns management processes. As mentioned by both Åhléns and Hemtex, it is usually easier to evaluate and reallocate products when returns are made in-store, particularly it allows a simpler gatekeeping process. By communicating with the customer directly, the store personnel can quickly determine if the returned item is faulty, cannot be resold, or if the product simply does not match the customers' preferences. In this way, the customer can be refunded immediately and the item can be resold once it has been registered in the store's information system.

As shown by the results obtained from the survey, the majority of respondents believe that the price of deliveries and returns weigh heavier than their preferences as customers. The results indicate that a customer chooses a delivery or return option that is free of charge in front of the alternative that is more desirable and convenient. This implies that delivery- and return policies play an imperative role in returns management and can even be a useful tool to steer the flow of returns in certain directions. The importance of delivery- and return policies has also been demonstrated on European markets where companies such as Zalando have changed their policies due to speculated reasons about loss in profits (RetailDetail, 2019a). After a change in their delivery- and returns policies were made, Zalando's profits increased (RetailDetail, 2019c). The consequences from the experiments and pilot testing made by large European corporations, such as Zalando, support the statement that such policies and reverse logistics can be correlated with return quantities and profitability.

6.1 Further Research

Due to the correlation mentioned in the preceding paragraph, it can be of interest to further research into reverse logistics and returns management. As Bernon et al. (2011) argue, despite the growing attention around returns management, there is a stronger focus on outbound logistics rather the reverse logistics in most fields of research. The study of this thesis has been conducted to shed light on the differences in returns management for two different distribution systems and more specifically, what advantages and disadvantages different distribution systems can encounter. However, only four companies were able to be interviewed and provide information about the area of this study. Thereby, the results and conclusions drawn from our research can only serve as an indicator for further research and cannot be generally applied to the entire retail industry. A problem area that has come to our attention is that it is difficult to balance the needs of all supply chain stakeholders, including customers. For instance, it may be valuable to conduct further research on how consumer preferences and perspectives can be incorporated into business strategies in order to identify reasonable solutions to returns management inefficiencies and create profitable delivery- and returns policies.

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Appendix 1

All numbers have been rounded to the nearest whole number.

Survey Questions and Answers

Figure 3. Prepaid Deliveries

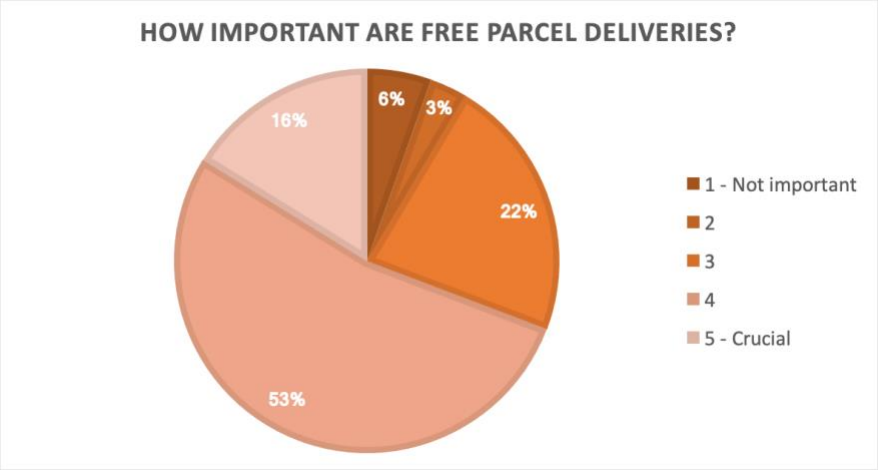


Figure 4. Prepaid Returns

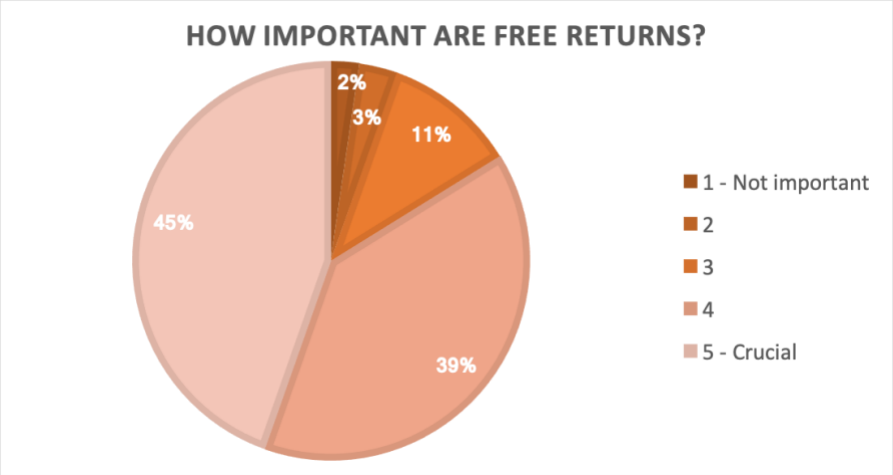


Figure 5. Possibility of Choosing a Free Alternative

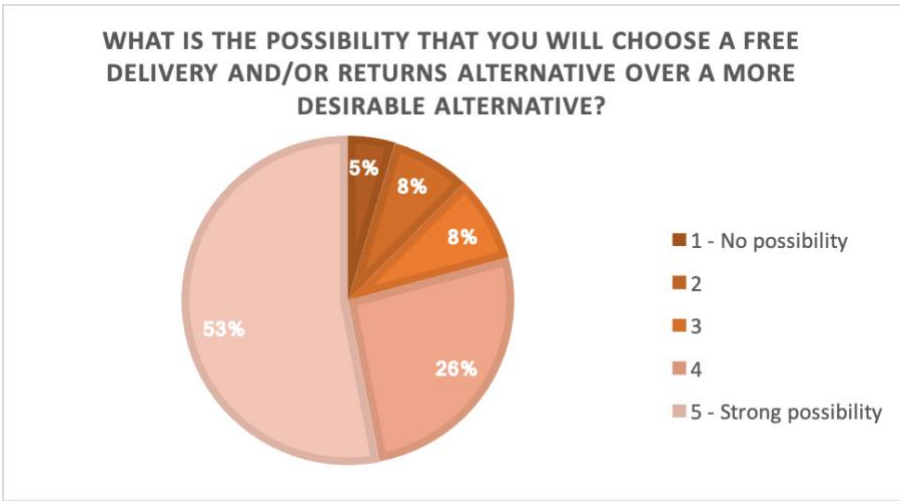
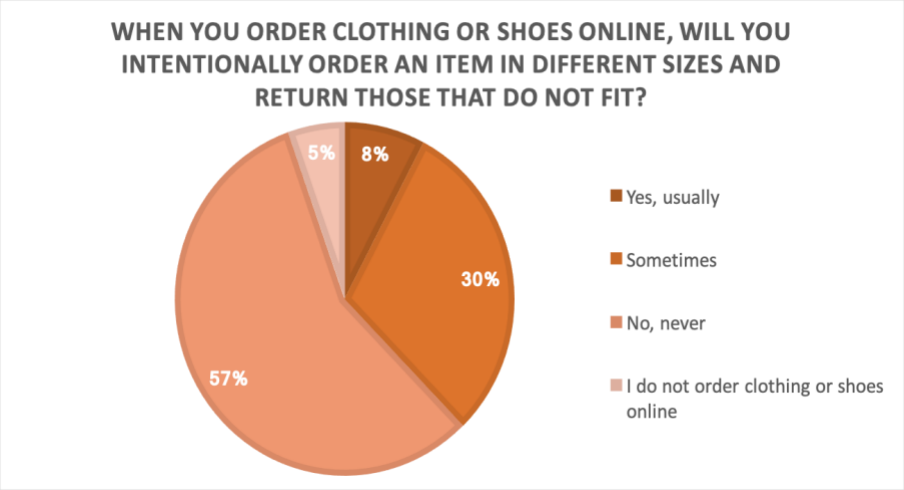


Figure 6. Several Sizes



Appendix 2

Interview Questions

These interviews were conducted in Swedish, however, a translated document of the questions can be found below. The following people were interviewed:

- Andreas Thieme, logistics manager at Care of Carl, (2019, April 16). Personal Interview, personal meeting.
- Svante Lindgren, logistics manager at Åhléns (2019, April 17). Personal Interview, Skype.
- Ann Bernlert, logistics manager at Hemtex, (2019, April 24). Personal Interview, telephone.
- Company X, director of fulfillment center, (2019, April 17). Personal Interview, written communication.

General Questions

1. Briefly describe the company's background and work, as well as what your position is within the company.
2. Describe what the returns management processes look like within your company.
    a. Does the flow of returns look differently depending on what type of return it is? For instance, do you deal with returns related to faulty products, customer remorse, wrong size or fit differently?
    b. Have you kept these processes inhouse or are they outsourced to a third party?
3. What delivery- and return policies do you offer your customers? Does your company have a specific strategy or purpose with these policies?
4. Have you experienced an increase in returns over the past few years? If so, have you had to implement change in your returns management processes?
5. What is the total lead time for returns? How long does it on average take before the return is available for customer purchase again?
6. Are there any specific types of customers or product groups that stick out in terms of returns volumes?
7. Does your company experience any bottlenecks or efficiency-related problems in any part of your returns management system? Do you see potential for improvement in any particular area in your current returns management processes?
8. Do you actively work with avoidance, i.e. implementing procedures in order to minimize return volumes in the beginning stages of the product life cycle?
   If so, how do you do this and why?
9. Does your company follow any set guidelines or criteria when inspecting a returned product?
10. According to you or the company's values, how would you characterize efficient returns management? What elements are key in making the returns management processes as efficient as possible?

Click-and-Mortar-Specific Questions

1. Do your returns management processes differ from the returns coming in from the e-commerce division and the retail division?
    a) Do they complement one another well or do you believe they complicate the procedures further?

Pure Player-Specific Questions

1. Do you believe the circumstances for returns would have been different if you also distributed your products through retail stores?