RETURN FOR FREE OR CHARGE A FEE?

AN EXPERIMENTAL STUDY OF HOW A FREE RETURN POLICY INFLUENCES SWEDISH CONSUMERS' PRODUCT QUALITY PERCEPTION AND RETURN INTENTION IN E-COMMERCE

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Abstract:

As the e-commerce market is rapidly growing and the number of retailers offering a free return policy is on the rise, the issue of increased customer returns and their effects on consumer cognition and behavior needs to be addressed. Therefore, the purpose of this study is to gain insights on how a free return policy affects the product quality perception of Swedish consumers in an e-commerce setting, both in the pre-purchase and the post-purchase stage. Furthermore, it also aims to investigate whether the product quality perception will significantly affect the return intention. The study was designed as an experiment conducted through a self-completion questionnaire, which was physically distributed to students at Swedish universities. The results were that free returns in an online retail setting does not significantly affect the Swedish consumer's product quality perception in neither the pre- nor the post-purchase stage. However, the results showed a significant negative correlation between product quality perception and return intention for Swedish consumer in an online retail setting.

Keywords:

Customer returns, Product returns, Return policy leniency, Free return policy, Return intentions

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Definitions

Consumer returns: In this paper the term "consumer returns" is used interchangeably with "returns" and refers to when consumers reverse their purchase decision by returning a purchased item to the retailer. In this thesis, the term return does not refer the financial usage of the term, as in "return on assets".

E-commerce: Electronic commerce. The buying and selling of goods and services online (HUI Research et al., 2022).

Free return policy: When a retailer pays for the return shipping in an e-commerce setting.

Return policy leniency: How favorable a return policy is from the perspective of a consumer. For example, a lenient policy could be granting full refunds, or allowing returns of items on sale (Janakiraman et al., 2016).

Remote purchase: When goods or services are sold remotely, meaning that the buyer and the seller are physically separated. This includes purchases via mail order, telemarketing, or the internet (SFS 2005:59).

Information asymmetry: When two or more parties do not have the access to the same information. In e-commerce, information asymmetry occurs as a consequence of the remote setting and the associated inability for the consumer to physically examine an online product (Moorthy & Srinivasan, 1995).

Pre-purchase: In this thesis, pre-purchase refers to the stage before an order has been placed in the context of a remote purchase (Wood, 2001).

Post-purchase: Refers to the stage after the purchased item has been delivered and is in the consumer's possession (Wood, 2001).

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1. Introduction

The number of online retailers offering a free return policy is on the rise. In 2020, the share of Swedish e-commerce companies with free return policies was 19%, and in 2021 it had increased to 22% (HUI Research et al., 2022). This trend can further be seen on an international level. For instance, 51% of surveyed companies in Europe and North America had adopted a free return policy by 2020, and an additional 8% were planning on introducing it in 2021(SearchNode, 2021). Nevertheless, the research on how return policy leniency affects consumer cognition and behavior is still in the nascent stages, even though free returns are a common feature on the market (Abdulla et al., 2019).

As a contribution to this growing field of research, this thesis will examine if a free return policy in online retailing affects Swedish consumers' perception of product quality, as well as how perceived quality subsequently affects return intentions.

1.1. Background

1.1.1. Background on Returns in E-commerce

The Worldwide E-commerce Market

The worldwide e-commerce market has seen a steady growth since 2014 and is forecasted to continue to grow. In 2020 alone, the global online retail market grew by 28% with the main driver of the accelerated growth being the reduced ability to shop in physical stores due to the Covid-19 pandemic. The largest e-commerce growth during 2020 was seen in Latin America, where the market grew by 37%. In Central and Eastern Europe, it grew by 29% and in Western Europe by 26% (HUI Research et al., 2022).

This growth suggests that a large portion of the consumers worldwide have adapted to the e-commerce market. However, these percentages could potentially decrease after the pandemic is over, as people once again return to shopping in physical stores (HUI Research et al., 2022).

The E-commerce Market in Sweden

The revenue of the e-commerce market in Sweden has also increased over the past decades. After the pandemic hit, 90% of Swedish consumers aged 18-79 shopped more online than they did before (HUI Research et al., 2021). The pandemic caused the e-commerce market to skyrocket during 2020 with a 40% growth, with surges in growth being the most prominent in conjunction with various virus outbreaks and increased restrictions. The social distancing and stay-at-home recommendations caused more people to start using e-commerce platforms, while the established online shoppers further increased their online shopping (HUI Research et al., 2021).

1.1.2. Background on Consumer Returns

The growth of online retailing has given rise to new issues, with one being the associated increase in customer returns (Saastamoinen, 2009). In 2021, 8% of the Swedish e-commerce customers were returning at least one product every month (HUI Research et al., 2022). Shopping online poses a higher risk for the consumers compared to shopping at brick-and-mortar stores, since consumers cannot physically examine the item before purchase. No matter how much information is provided pre-purchase, quality concerns will always remain until the product is received and can be examined by the recipient (Saastamoinen, 2009). Unsatisfactory quality is in fact one of the main causes of consumer returns (UPS, 2019).

One way in which online retailers are trying to reduce the perceived risk is by offering free returns, which imply that the retailer pays for the return shipping. As this policy is becoming increasingly common, trends point towards more online retailers prioritizing it to meet consumer expectations. In a study by Postnord, 75% of consumers stated that they value free returns on items purchased online (HUI Research et al., 2022).

Free returns do however mean that returned items constitute a loss for the retailers, since the retailers are paying for the return shipping while not receiving revenue from the purchase. Even without offering to pay for return shipping, consumer returns have considerable drawbacks for retailers. Returning items constitute significant costs for the retailers due to the additional reverse logistics and the low salvage values which they often entail (de Leeuw et al., 2016; Janakiraman et al., 2016).

Furthermore, online returns have a negative effect on the environment. An investigation conducted by journalists at Breakit showed that some of Sweden's largest e-commerce actors ship their returned items to Estonia for re-packaging, before shipping the items back to their Swedish warehouse for resale (HUI Research et al., 2021). This entails significant emissions due to additional transportation. The repackaging for an online resale further adds to the environmental impact, as repackaging in for example plastic bags often is unnecessary in a conventional store setting (Pålsson et al., 2017). Nevertheless, the available information and statistics regarding the emissions caused by online returns is currently very limited.

Due to the mentioned drawbacks, retailers are currently exploring different strategies for decreasing consumer returns. For example, there are innovations which use AI in online fashion retailing to help the consumers find an appropriate size. Furthermore, companies are also trying to make the return process more efficient by for example making returned items available for resale faster (Postnord, 2021). However, online retailers are juridically obliged to allow refunds of most items within 14 days according to EU-law, and in Sweden this is protected by The Act on Distance Contracts and Off-Premises Contracts (European Commision, 2018; SFS 2005:59). This entails that the

issue of consumer returns cannot be completely avoided in an e-commerce setting within the EU.

1.1.3. Classification of the Consumer Return Literature

Regarding the research on consumer returns, the academic interest has surged during the last couple of years. In general, the current literature regarding return policies can be categorized into four related domains as conceptualized by Abdulla, Ketzenberg and Abbey (2019). These domains are "return policy", "consumer behavior", "return management" and "planning and execution".

The return policy research typically regards the level of leniency offered in return policies, which refers to convenience related aspects from the consumer's point of view. However, the return management research instead takes the retailer's perspective and studies how to optimize the firm's reverse logistics. Similarly, the planning and execution domain examines the issue from the retailer's perspective, but with a focus on the forward supply chain. Lastly, the consumer behavior research examines cognitive effects on consumers in the context of returns (Abdulla et al., 2019).

1.1.4. Return Policy Leniency

Return policies can vary on a multitude of dimensions, which implies that a policy can be lenient in many ways. As proposed in a meta-study by Janakiraman, Syrdal, & Freling (2016), the leniency of a return policy can vary on five dimensions: "time leniency", "monetary leniency", "effort leniency", "scope leniency" and "exchange leniency". A policy which is lenient on the time dimension allows returns within a longer period, for example allowing returns within 30 days as opposed to 14 days. Monetary leniency varies on how much money back the customer is granted, where the most lenient policy is receiving all money back in addition to free return shipping. Effort leniency varies on the effort required when returning, for example if several forms must be filled out before returning an item. Scope leniency refers to which items are permitted a return, for example if items on sale can be returned. Exchange leniency concerns how the consumer gets the money back, which could for example be in cash or in store credit.

The result of the study by Janakiraman et. al. (2016) was that the different dimensions had diverging effects on both returns and purchases. Therefore, the results in the literature on return policy leniency is rather scattered due to different dimensions of leniency being examined in different studies.

1.2. Purpose and Research Questions

The purpose of this thesis is to empirically investigate to what extent a free return policy influences how consumers assess product quality in an e-commerce setting, as well as whether the product quality perception will affect return intention. A further understanding of how return policies influence consumers and ultimately their decision to return items is of relevance to retailers and to the general public, due to the previously mentioned costs and environmental consequences that follow.

In a remote purchase setting, a purchase can be argued to consist of two stages: when the customer orders and when the customer receives the order. These two stages differ in the amount of information that is available to the consumer. It is upon receiving the order that the consumer makes the return decision, but according to previous research the information in the pre-purchase stage can affect how the consumer perceives the item upon arrival (Wood, 2001). Therefore, this study will examine both the pre- and the post-purchase stage to gain an understanding of how a free return policy affects the consumer in both stages.

To provide these insights, the following three research questions were formulated:

- *How does a free return policy affect the product quality perception of consumers in the pre-purchase stage?*
- How does a free return policy affect the product quality perception of consumers in the post-purchase stage?
- To what extent does lower product quality perception lead to greater return intention?

1.3. Delimitations

Due to the formal requirements and limitations in resources associated with writing a bachelor thesis at the Stockholm School of Economics, delimitations were made. Firstly, the study was geographically limited to Sweden for practical reasons. Secondly, there was limited time for data-collection, which shaped the way the study had to be conducted. For example, when Wood (2001) conducted an experiment on pre- and post-purchase situations, the situations were separated by two days to reflect the difference in time between ordering an item and receiving it. Incorporating such a time difference was however not possible within the time limitations of this study. Time restrictions also limited the number of collected responses. Moreover, the respondents in the survey were a convenience sample, which mostly consisted of students. Lastly, the collected personal data was treated in accordance with the GDPR-policy at the Stockholm School of Economics.

1.4. Expected Contribution

Theoretically, this research will regard the intersection of the return policy literature and the consumer behavior literature since it examines the cognitive effect of monetary leniency on consumers. The need for more research in this area is acknowledged in the literature review by Abdulla et al. (2019):

"As will become clear in the comprehensive review, relatively little is empirically established regarding consumer behavior in relation to return policies" (p. 561).

In addition, the authors of this thesis have also identified a potential research gap. When consulting the current literature on consumer returns through MerQuery and databases such as Business Source Ultimate and Scopus, the authors were unable to find empirical research which explicitly examines the relationship between product quality perception and return intention or behavior. The authors could only find articles which *assumed* that increased product quality perception would lead to lower levels of consumer returns, without empirically investigating further. Therefore, this thesis hopes to contribute to the emerging field of research on consumer returns and address the research gap on product quality perception's relation to return intention.

On a practical level, the understanding of consumer behavior is of importance for managerial purposes, since it can provide valuable insights (Abdulla et al., 2019). Since many online retailers have adopted or are planning to adopt a free return policy, the consequences of doing so are of relevance to their business. Consequently, the results of this thesis could contribute with useful managerial insights to guide online retailers in their decision-making.

2. Previous Literature and Theoretical Framework

2.1. Previous Research on Product Quality Perception in Remote Purchase Environments

The literature review was conducted by consulting the databases Business Source Ultimate and Scopus, in addition to the search tool MerQuery. In early literature on return policies, product quality has been studied as a source of information asymmetry between retailers and consumers (Heal, 1977). Furthermore, product quality and return policy leniency in the specific context of remote purchases have been the subject of subsequent studies. What sets remote purchases apart from brick-and-mortar retailing is the inability to examine orders in the pre-purchase stage, which creates unique circumstances that heightens the information asymmetry even further (Moorthy & Srinivasan, 1995).

The effects of *monetary* leniency on perceived product quality have also been examined in previous studies. The positive relationship between monetary leniency and perceived service or product quality has been supported by multiple studies, although a great deal of the literature focuses solely on the pre-purchase stage and purchase intentions, and not on the post-purchase stage or return intentions (Abdulla et al., 2019).

Nevertheless, one of the most cited publications in the field by Wood (2001), examines both the pre- and the post-purchase stage. This article is in the 95th percentile of the citation benchmarking in Scopus (Scopus, 2022), which suggests that it has had significant influence on subsequent research. The result of this study was that greater leniency increases product quality ratings both before and after the purchase.

Since the results were published more than 20 years ago, the study was conducted in a time when remote purchases were becoming increasingly popular, mainly through catalog sales but also through a growing e-commerce market. With a more critical stance, the validity of the results in Woods' experiment can be questioned. Even though the article has been highly influential in the field of return policy research, the study was conducted using only 12 participants in each treatment group, which is a total of 24 participants (Wood, 2001). Although the results were significant, a smaller sample typically implies increased risk of sampling error (Bell et al., 2019).

2.2. Signaling Theory

Signaling theory was proposed by Michael Spence (1973) and was initially used in the context of the labor market. According to Spence, the labor market was characterized by information asymmetry and adverse selection since the employer cannot know whether an applicant is skilled or not. To solve this problem, he suggested that applicants take on

a "signaling cost", which would signal the applicant's abilities to the employer. A signaling cost is a costly action with the ambition of reducing information asymmetry, which in the context of the labor market could for example be an education. A key point in the theory is that the signaling cost must be too high for the low-skilled workers, which means that only high-skilled workers could obtain the signal and hence it would reduce the adverse selection (Spence, 1973).

Signaling theory can further be applied in the context of free return policies. One of the main reasons to why products are being returned is unsatisfactory quality (UPS, 2019). Hence, low quality items would have a higher probability of being returned, which suggests that firms with low quality products would suffer a higher risk of items being returned. Since a free return policy entails significant transaction costs for the company, this further suggests that it would be unbeneficial for a low-quality firm to adopt a free return policy (Shao et al., 2021). Building on signaling theory, a free return policy would thus constitute a signaling cost, which would signal higher quality for a firms' items (Abdulla et al., 2019).

2.3. Cue Utilization Theory

According to cue utilization theory, an offering consists of several cues. These cues could for example be the price, the brand, or the packaging of the product. Combined, the cues help the consumers form an impression of the offering, and this includes shaping their perception of the product quality (Olson & Jacoby, 1972). One of the most studied cues is price in relation to product quality (Miyazaki et al., 2005).

Cues can be categorized in two groups: intrinsic cues and extrinsic cues. Intrinsic cues are those which are an integral part of the product and cannot easily be changed without also altering the products physically. An example of an intrinsic cue is the flavor of an edible product or the fit of a clothing item. Extrinsic cues are in contrast not an integral part of the product and can therefore be modified without affecting the physical characteristics of the product. An example of an extrinsic cue is a guarantee or a brand reputation (Olson & Jacoby, 1972).

It has been suggested that the intrinsic cues of a product have superior importance when customers assess perceived quality. However, if the intrinsic cues are not seen as indicative of product quality, or alternately the customer has difficulties in obtaining intrinsic cues, the extrinsic cues will have a greater importance for product quality perception (Miyazaki et al., 2005).

In a remote purchase environment, the intrinsic cues are limited (Shao et al., 2021). Furthermore, a free return policy arguably constitutes an extrinsic cue since it is part of the offering, but not an integral part of the product. Drawing on cue utilization theory, the extrinsic cue of the free return policy would be of importance for consumers in a remote purchase environment such as in e-commerce, since there are limited intrinsic cues.

When combining the insights from signaling theory and cue utilization theory, it is hypothesized that a free return policy would signal higher quality, and this extrinsic cue would have a significant effect on product quality perception due to less intrinsic cues being present in an online context. Therefore, the first hypothesis is:

H1: A free-return policy will have greater product quality perception than a no-free return policy in the pre-purchase stage

2.4. Confirmation Bias and Cognitive Dissonance

Cognitive psychology research is the study of the cognitive processes that affect behavior. In this field there are two types of biases: cognitive bias and emotional bias (Pompian & Pompian, 2012). These biases can subconsciously influence behavior in a way which makes it depart from what would be considered rational. Cognitive biases typically regard flaws when processing or recalling information and is based on errors in reasoning. Examples of these biases are confirmation bias, hindsight bias and cognitive dissonance. On the contrary, an emotional bias is when emotions, impulses, or intuition influences reasoning. Examples of emotional biases are loss-aversion bias, self-control bias and status quo bias (Pompian, 2012).

One of the cognitive biases of relevance for this study is confirmation bias. Confirmation bias is the tendency of noticing what confirms already existing beliefs. The implication is that attention is paid to evidence which supports initial assumptions, while conflicting evidence is either overlooked or deemed less important (Pompian, 2012). When it comes to product quality perception, this theory would suggest that the initial belief about the quality of the product would influence the perceived quality postpurchase as well. This is due to the assumption that the consumers would interpret the post-purchase information in a way that confirms their initial product quality perception.

A similar cognitive bias is the cognitive dissonance. When preexisting understandings are being challenged with new information, it often gives rise to a mental discomfort which in psychology is known as cognitive dissonance. Attitudes, feelings, values, or beliefs are typically referred to as cognitions in the context of psychology. The cognitive dissonance occurs when there is an imbalance between contradicting cognitions. When cognitive dissonance occurs, the mind experiences mental discomfort and to alleviate this discomfort, people will convince themselves that their initial cognition is correct, to regain psychological stability. This most often is done in an irrational way by ignoring, avoiding, or skewing facts and information to avert psychological conflict (Pompian & Pompian, 2012).

Based on the cognitive dissonance, it would imply that a person's initial belief about the quality of a product should affect the post-purchase as well. If the initial belief of the product is positive, the holder of the belief will go to extreme lengths to persist that belief to avoid a state of mental discomfort. The same would happen if the initial belief was negative.

Combined, the two cognitive bias theories suggest that the post-purchase product quality perception should confirm the pre-purchase product quality perception, either through a confirmatory interpretation of new information, or by avoiding and skewing facts to avoid mental discomfort. Since free returns are hypothesized to signal higher quality in the pre-purchase stage, the signaling effects are hypothesized to hold also in the post-purchase stage.¹ Thus, the second hypothesis is the following:

H2: A free-return policy will have greater product quality perception than a no-free return policy in the post-purchase stage

2.5. Return Intentions

Currently, there is limited research on return intentions and what factors increase or decrease the proclivity to return items. However, the most common reasons to return online purchases are the products being "faulty or damaged", "not as described", or being of "poor quality" (UPS, 2019). These are all issues which are caused by the inability to physically inspect the item before purchase. The two latter problems could be alleviated by having detailed descriptions and pictures of the products available to the customer pre-purchase. Nevertheless, this can only reduce the information asymmetry to a limited extent since, according to Saastamoinen (2009), quality concerns will always remain until the product is received. At purchase, quality expectations are formed based on the images and the information available online. If upon receival and inspection the product does not live up to the expectations, it will result in dissatisfaction which will in turn lead to a return. The larger the gap is between the customer's expectation and what is received, the more dissatisfied the customer will be (Saastamoinen, 2009).

¹ Arguably, the presence of a return policy could be seen as a context effect. The literature on context effect theorizes that the availability of other stimuli could change a person's preferences which could affect the decision-making process (Trueblood et al., 2013).

Due to poor quality being one of the most common reasons for actual returns of online purchases, the authors hypothesize that the same should apply for the *perceived* quality. Hence, the following is hypothesized:

H3: Lower product quality perception will be associated with a greater return intention, regardless of return policy

3. Method

3.1. Scientific Approach

As existing theories and prior research were used to formulate the hypotheses, a deductive method approach was the basis of this study. As such, a quantitative research strategy was chosen as the method of research for the thesis to test the existing theories. The authors have, to the best of their ability, taken on an objective ontological position, which refers to knowledge and data being observed and measured directly or indirectly, and independently of social actors (Bell et al., 2019). The hypotheses deduced by the authors were tested using approaches similar to those used in natural sciences when studying social reality and beyond. Hence, the adopted epistemological position which the authors tried to apply was positivism, as this position is informed by an objectivist ontological position. With this taken into consideration, the appropriate way to gather data would be through objective observation or measurement through the means of surveys or other instruments of observation (Bell et al., 2019). Therefore, the data gathering method consisted of a self-completion questionnaire which was distributed to randomly selected groups, and randomization was further applied when allocating the respondents to the treatment and control group.

3.2. Data collection and Analysis

3.2.1. Questionnaire

The study was designed as an experiment with two groups: a treatment group which received the manipulation of free returns, and a control group which did not receive the manipulation. The allocation of respondents to the groups was randomized. The experiment was executed by using self-completion questionnaires² (see Appendix 1), where the respondents answered the questions by using a computer or a mobile device. The questionnaire consisted of 12 blocks and 16 questions (see Figure 1). The survey was in Swedish since the research is delimited to Swedish consumers. By communicating in what would presumably be the native language of most Swedish consumers, the authors believed that it could limit misunderstandings caused by language barriers.

The survey flow is illustrated on the next page.

² Also referred to as survey



Figure 1. Survey flow

The first block of the questionnaire consisted of a short introduction, which included the purpose of the study and the estimated time for survey completion. The block did not disclose what the research would regard, apart from it being in the field of marketing. This was to not unintentionally influence the answers to subsequential questions.

The second block consisted of a GDPR-disclosure, where the respondents were given the option to consent to participation in the study and data being processed in accordance with the GDPR-policy. If the respondents declined to participate, the survey ended, and their data was deleted.

In the third block, the remaining participants were randomized into two group where they were shown the pre-purchase scenario, accompanied by a picture of a website. The treatment group were subject to the manipulation: "free returns on all orders", stated in the written scenario and on the website picture. The control group were shown an identical scenario, with the only difference being the message: "in the case of returning items, you will bear the shipping cost". After the scenario, the respondents were directed to the fourth block which consisted of questions regarding the perceived quality in the pre-purchase stage, measured by a multi-item scale.

In the fifth block, the post-purchase scenario was described to the respondents. This block also included a video which showed the purchased item. The sixth block was identical to the Block 4 and measured product quality perception in the post-purchase stage by using the same multi-item scale. Block seven consisted of an encouraging message, which disclosed that only half of the questionnaire remained.

The eight block had the purpose of capturing return intentions and consisted of another multi-item scale. The ninth block inquired whether the respondents usually expect free returns when shopping online and gave three options: "Yes, I usually do" / "No, I usually do not" / "I have not reflected upon this". The tenth block was an attention check. The eleventh block asked about the age and gender of the respondents and the twelfth block asked three questions about the survey quality.

3.2.2. Data collection and Participants

The questionnaire was distributed between the 7th of April and the 22nd of April 2022, at the Stockholm School of Economics and Stockholm University. Although the survey was digital, it was physically distributed by approaching potential respondents and asking if they would be willing to participate. The respondents answered the questionnaire either by using the authors' laptops or the respondents' personal mobile phone by scanning a QR-code. After completing the questionnaire, the respondents were offered candy as a sign of gratitude.

Due to limitation in time and resources, the participants constituted a convenience sample with the majority being undergraduate and graduate students. This implies that the results of the study are limited in terms of generalizability (Bell et al., 2019). For instance, Hooghe et al. (2010) argues that even though it is common practice to use students as a sample for business research, this group differ from the general population by for example having an above average tendency to reflect on what would be the "correct" answer when participating in studies. Furthermore, the findings of Janakiraman et al. (2016) showed that return proclivity was higher in studies that used a student sample in comparison to a non-student sample.

3.2.3. Methodological Considerations

Physical Distribution

The decision to physically distribute the survey instead of using digital channels was mainly due the authors' belief that it would be a more efficient way to collect responses. During the month when the survey was conducted, the social media and e-mail of the target group of students at the Stockholm School of Economics and Stockholm University were assessed to be saturated with questionnaires, due to many students conducting research for bachelor and master theses during that period. Therefore, the authors drew the conclusion that digital distribution would run the risk of the survey being overlooked by potential respondents, who were subject to an abundance of questionnaires.

By physically distributing the questionnaire, it also mitigated one of the disadvantages of self-completion questionnaires which is that respondents typically cannot ask questions if they have difficulties when answering the survey (Bell et al., 2019). Since the authors were present during the completion of the questionnaires, the participants were able to get inquires answered to better understand the task and questions. They were also able to give feedback about the survey after completion.

Nonetheless, the physical distribution made the study subject to interviewer effects, in which the presence of the authors might influence the responses of the participants. This could for example be through social desirability bias which makes the respondents answer the question in a way which they believe the interviewers want (Bell et al., 2019). Since students are as previously mentioned additionally inclined to this behavior, the sampling could in this case further have increased the risk of this bias affecting the results (Janakiraman et al., 2016).

To minimize the risk of the authors' presence skewing the results, both authors were present during all interactions with participants, which implied that all respondents were subjects to similar stimulus regarding the characteristics of the interviewers. Furthermore, it was emphasized during the distribution that the answers would be anonymous, and the authors kept distance to the respondents when the questionnaires were filled out to minimize the risk that respondents would feel monitored. These measures were taken to hopefully decrease the influence of the social desirability bias.

Visibility of Blocks

Only one block at a time was visible to the respondents to avoid that the questions later in the survey would affect the answers to earlier questions. The reason for this was that the questionnaire was designed to reveal limited information at a time, since there was a pre-purchase scenario and a post-purchase scenario.

Minimizing Incomplete Answers

Due to the respondents answering the questions themselves, as opposed to for example being interviewed, there was a greater risk of "respondent fatigue" which refers to the respondent being tired of answering the questionnaire and hence not completing it (Bell et al., 2019). Due to this risk, the questionnaire was constructed to take approximately 5 minutes to complete, since a short questionnaire is less likely to be tiring. Furthermore, the survey only consisted of closed questions since they are generally easier for the respondents to answer (Bell et al., 2019).

Regarding the encouraging message in the middle of the survey: "Good job, only half of the study left", it was incorporated to encourage respondents who might run the risk of response fatigue or who have time constraints, since it ensured them that they only had half left. This measure was taken to lower the amount of incomplete survey responses. A progress bar was displayed on the top of the survey page for the same reason.

Device for Data collection

Allowing the respondents to answer using either a laptop or a mobile phone might have caused the experience of the questionnaire to differ slightly due to the difference in user interface (UI). Although it would be ideal for all respondents to use the same device, there was a tradeoff with regards to response rates. When approaching potential respondents during the distribution, it was most common that they were sitting in groups which were greater than two. However, the authors only had access to two laptops. If only part of the group could participate at a time, while the others had to wait for an available computer, it was more likely that the whole group did not want to participate. Therefore, the decision was made that both laptop and mobile phones would be used to answer the survey, which enabled more than two people at a time to participate. To reduce the differences in experience, the amount of text and questions displayed in each block was tailored to fit both a laptop screen and a mobile phone in a similar fashion. Furthermore, the format of the video was adjusted to be compatible with most operative systems.

Attention Check

An attention check question was included in the survey to make sure the respondents were paying adequate attention when answering.

3.2.4. Scenario

The scenario was divided into two parts, the pre-purchase scenario (Block 3), and the post-purchase scenario (Block 5), which both concerned a purchase of a mobile phone case from an online retailer.

In the pre-purchase scenario, a picture of a website was displayed. The website showed pictures of the phone case, as well as a message either stating that the customer was granted free returns, or that the customer would have to pay for the return shipping, depending on which group the participant was randomized into. The layout of the website was inspired by two Swedish online retailers which sell phone cases. In addition to the picture of the website, the pre-purchase scenario also included a written text which described the purchase of the phone case further and whether the participants had free returns or not. The message about free returns was in a bold font to increase the likelihood of the participants noticing the treatment.

In the post-purchase scenario, there was another text describing a situation where the respondents had received their product in the mail. This text was accompanied by a 9-second video, which showed the product being unboxed and presented in different angles. The video was included to reflect the additional information that customers receive in the post-purchase stage. The authors believed that a video showing the product would be the most similar option to receiving a physical product, given the limitations of an online questionnaire.

The product in the scenario was a black phone case. The choice of product was based on aiming for the situation to be relatable to the respondents. Another option could for example have been a clothing item, which is a common product to buy online. However, clothes tailored towards women or men often differ, and therefore the authors believed that choosing a shirt made for women might affect the answers since men in general might be less familiar buying such a product. A black phone case was on the other hand believed to be a more neutral product and would hopefully not affect the results as much.

3.2.5. Dependent Variables

Perceived Product Quality

In the two first research questions, the dependent variable was the perceived quality of the product in the pre- and the post-purchase stage. To capture this, a scale developed

by Habel et al. (2016) was used, which was retrieved from the *Marketing Scales Handbook: A Compilation of Multi-Item Measures for Consumer Behavior & Advertising* (Bruner II, 2019). This scale consisted of three 7-point sematic differentials. The only adjustment made to the measure was a translation to Swedish. When used in the pre-purchase stage, the scale generated a Cronbach's alfa of .907 in the treatment group and .900 in the control group. The Cronbach's alfa for both groups in the prepurchase stage was .905. In the post-purchase stage, the Cronbach's alfa was .901 in the treatment group and .905 in the control group. The Cronbach's alfa for both groups in the post-purchase stage was .902.

Return Intention

In the third research question, the dependent variable was return intention. Return *intentions* were measured as opposed to *actual* returns, since the authors could only measure intention and not actual behaviors through a questionnaire. However, intentions are assumed to precede behavior, which is for example proposed by Ajzen (1985) in the theory of planned behavior.

A scale which measures return intention was not found, and therefore a scale which measures purchase willingness by White et al. (2016) was used as a base for developing a return intention scale. The scale was retrieved from the *Marketing Scales Handbook: A Compilation of Multi-Item Measures for Consumer Behavior & Advertising*. (Bruner II, 2019). The purchase willingness scale aims to measure the inclination to purchase a particular product, however the scale is according to Bruner II (2019) similar to other scales which measure intentions. To adapt the scale to return intentions, the word "buy" was replaced with "return". Furthermore, the scale was translated to Swedish. The return intentions scale consisted of three 7-point sematic differentials. The treatment group had a Cronbach's alfa of .811 and the control group had a Cronbach's alfa of .829.

3.2.6. Independent Variables

Return Policy Leniency

The independent variable in the two first questions was the return policy leniency. In this study, the return policy leniency varied on the monetary dimension, with the more lenient policy being a free return policy and the less lenient policy being that consumers would pay for return shipping.

Perceived Quality

In the third research question, perceived quality becomes the independent variable in relation to the return intention. The measurement for product quality perception was the post-purchase product quality perception. Post-purchase product quality perception was

selected due to consumers typically making the return decision after receiving the item, and therefore it would be of more practical relevance to examine than pre-purchase product quality perception.

3.2.7. Quality of Data

In total, the number of participants in the study was 108. However, 4 people did not agree to the GDPR terms and their data was hence deleted. There were also an additional 2 participants who did not finish the survey, and their answers were therefore excluded. Furthermore, there were 2 participants who answered the attention check incorrectly. Since this might indicate that the participants did not pay adequate attention when completing the survey, their answers were excluded. The remaining number of respondents after the exclusion of unsuitable answers was 100.

3.2.8. Data Analysis

The questionnaire was administered through Qualtrics, which is an online survey tool. The data from the questionnaire was exported to IBM SPSS Statistics version 28, where it was analyzed. Respondents who did not agree to the GDPR terms, did not complete the survey, or answered the control question incorrectly were as mentioned excluded from the dataset. Descriptive data was then extracted from the remaining respondents. Subsequently, reliability analyses were conducted for the multi-item measures (perceived product quality and return intention). The answers to each multi-item scale were computed into a mean for each participant, to prepare for further analysis. For the hypothesis testing, the maximum level of statistical significance to reject the null hypothesis was set at p < .05, in accordance with convention in business research (Bell et al., 2019).

Testing the First Hypothesis

To test the first hypothesis, an independent t-test was performed to compare the means of the treatment group (free returns) and the control group (no free returns). The test was appropriate given that the participants were part of independent samples which were subject to different treatments.

Testing the Second Hypothesis

To understand whether a free return policy had any effects on the post-purchase perception, an independent sample t-test was conducted to analyze if there was significant difference between the treatment groups.

Testing the Third Hypothesis

To test the third hypothesis, a linear regression with a Pearson's test for correlation was deemed an appropriate method, due to the method examining the relationship between

two interval variables. It was assumed that the relationship between the post-purchase perceived quality and the return intention would be linear, which is a prerequisite for using Pearson's correlation coefficient (Bell et al., 2019). This assumption was strengthened by plotting the variables on a scatterplot (see Figure 5), where the authors assessed that even though the values were scattered, they did not seem to violate the assumption of being broadly linear. Therefore, a linear regression was conducted with regards to the variables post-purchase perceived quality and return intentions.

Additional Analysis

To further understand the effects of free returns on both the pre-and the post-purchase perceived quality, a mixed model analysis of variance (ANOVA) was performed. A mixed model ANOVA was appropriate since it tests for between-subject effects, within-subject effects, and whether a change in the dependent variable was caused by the interaction of between-subject factors and within-subject factors. In this case, the between-subject factor was the treatment (free returns or not). The within-subject factor was the pre-purchase versus the post-purchase stage (see Figure 2). A prerequisite for performing a mixed model ANOVA is that the dependent variable is an interval variable, which was the case.



Figure 2. Illustration of the between-subject factors and the within-subject factors in the experiment.

3.3. Research Reliability and Validity

3.3.1. Reliability

The level of reliability is of interest when evaluating the quality of research where a quantitative method is applied. Internal reliability applies to multiple-indicator measures and evaluates whether different indicators are coherent (Bell et al., 2019). As this study involves multi-item scales, internal reliability was tested for. A common way of assessing internal reliability is by using Cronbach's alpha, where the average of all possible split-half reliability coefficients is calculated. The coefficient has a value ranging from 1 (perfect internal reliability) to 0 (no internal reliability). In general, the rule of thumb is that the lowest acceptable level is a Cronbach's alpha of .800 (Bell et al., 2019). Thus, a Cronbach's alpha of .905 (pre-purchase perception), .902 (post-purchase perception) and .829 (return intention) were all deemed of acceptable internal reliability since they are greater than the rule of thumb.

3.3.2. Replicability

Replicability is another measure used to evaluate quantitative research. For a research study to be replicable, it must be capable of replication. Hence, if the procedure and measures of a study are not described in detail, it lowers the level of replicability. Furthermore, a study which is not replicable is not consistent, which in turn makes it unreliable (Bell et al., 2019). Therefore, the authors of this study aimed to thoroughly describe the method and procedure to increase replicability.

3.3.3. Validity

Validity concerns the honesty and accuracy of conclusions drawn in a study, meaning whether a measure really measures the targeted concept (Bell et al., 2019). Validity can be divided into measurement validity, external validity, and ecological validity.

Measurement Validity

Measurement validity regards whether a measure captures what it is supposed to capture. This is related to reliability, as a measure of a concept cannot be valid if it is unreliable. In the context of experiments, the experimental manipulation must have worked for a study to be valid in its measurement (Bell et al., 2019). To increase the measurement validity of the study, the authors chose established multi-item scales from previous research to measure the dependent variables. As the scales had been applied in previous studies, the authors believed that the likelihood of capturing the concepts of perceived quality and intentions accurately would be greater than if the authors constructed their own scales. However, as the scales were adjusted to fit the experiment

by translation from Swedish to English and by replacing words to fit the study, the validity could have been affected.

External Validity

External validity regards whether results of a study are generalizable beyond the research context. In the context of experiments, many factors can affect the strength of the validity, with some of them being delimitation of subject, sample size, pre-testing, replicability in other settings and the subject's awareness and reactiveness of experimental arrangements (Bell et al., 2019).

As this study examined the product quality perception based on a convenience sample, this could weaken the external validity. However, the selection of the subjects was random, and likewise the allocation of treatment groups. Therefore, the random selection of the subjects, the method of this study being described in detail and the theoretical frameworks and literature on product quality perception being available to any researcher, the external validity was improved to some extent.

Ecological Validity

If a research study's findings fail to be applicable in realistic real-world settings, its ecological validity is low. The findings deriving from a study using questionnaires may have high measurement and external validity as they can be generalized to other samples by using the same questionnaire. Nevertheless, since answering a questionnaire is an unnatural situation, the conclusions may have poor ecological validity (Bell et al., 2019). The questionnaire in this study included a question about how realistic the subject perceived the situation in the survey to be, with 95% of the respondents judging it to be realistic. Hence, the applicability to everyday, naturally occurring social settings was taken into consideration which could improve the ecological validity.

3.3.4. Survey Judgement

The survey included three multiple choice questions about how the respondents perceived the survey. The purpose of these questions was to further understand whether the survey design was appropriate and to enhance the validity of the study. The result was that 93% believed that the survey was easy to understand and follow, 95% believed that the described scenarios were realistic and 87% believed that the survey did not try to influence their answers in any direction (see Appendix 2).

In addition to the survey judgement questions, the respondents were also able to give their opinion of the survey directly to the authors after completion. One common comment was that respondents believed the layout of the fictional website to give the impression of lower quality, while the video of the product seemed to have a high quality. Respondents also expressed that the website was what they noticed the most in the scenario. Another insight was that some respondents were frustrated by not being able to go back in the survey and look at the scenario again when they were answering questions.

4. Results

4.1. Descriptive Statistics

Out of the 100 valid respondents, 62% were female. Respondents aged 21-30 constituted 87% of the total sample.

Variable	Ν	n	% of sample
	100		
Gender			
Female		62	62.0
Male		37	37.0
No answer		1	1.0
Age (years)			
18-25		79	79.0
26-30		16	16.0
31-35		3	3.0
> 36		2	2.0

Table 1. Overview of demographics

4.1.1. Statistics for the Dependent Variables

The following section presents the results of the multi-item scales for the dependent variables. In Table 2, the mean of 4.10 of the pre-purchase product quality perception indicates that the respondents evaluated the quality as being neutral. In the post-purchase case, the quality was evaluated as slightly positive with a mean of 4.93.

Table 2. Product quality perception multi-item scale

	Pre-p	ırchase	Post-purchase	
Question: The product has	М	SD	М	SD
Very poor quality/Very good quality	4.16	1.10	5.12	1.02
Inferior quality/Superior quality	3.96	1.12	4.60	1.15
Poorly made/Well-made	4.18	1.16	5.08	1.25
Computed mean for product quality perception	4.10*	1.00	4.93**	1.10

*Cronbach's alfa = .905, ** Cronbach's alfa = .902. Scales were 7-point sematic differentials where 1 = 1 low quality and 7 = high quality.

When analyzing the return intention multi-item scale in Table 3, the mean of 2.21 indicated that in general, the intention to return was low among the respondents.

Table 3. Return intention multi-item scale

Question:		
How likely would you be to return the product?	Μ	SD
Very unlikely/Very likely	1.84	1.14
Very unwilling/Very willing	2.41	1.32
Very uninclined/Very inclined	2.39	1.16
Computed mean for return intention	2.21*	1.04

*Cronbach's alfa = .829. Scales were 7-point sematic differentials with 1 = low return intention and 7 = high return intention.

When analyzing the dependent variables according to treatment group, the mean of the pre-purchase product quality perception was neutral in both groups, with means close to 4. Furthermore, in the post-purchase case the product quality perception was slightly positive for both groups with means closer to 5. Figure 3 illustrates the means of the treatment groups. Regarding the return intention, the mean of 2.28 and 2.15 indicated that intention to return was low in both groups. The variance the measures could be considered as low relative to a 7-point scale.

Table 4. Descriptive statistics according to treatment

Stimuli group	Treatment group		Control group		Total	
	N = 52		n = 48		n = 100	
Variable	М	SD	Μ	SD	М	SD
Pre-purchase product quality perception	4.25	1.04	3.94	0.94	4.10	1.00
Post-purchase product quality perception	5.04	1.12	4.81	1.07	4.93	1.10
Return intention	2.28	0.95	2.15	1.14	2.21	1.04

Note: Product quality perception was measured by three 7-point sematic differentials, where 1 = low quality and 7 = high quality. Return intention was also measured by three 7-point sematic differentials, but with 1 = low return intention and 7 = high return intention.



Figure 3. Graph showing the product quality perception means for the different groups at the pre- and the post-purchase stage.

4.1.2. Consumer Expectations

Regarding the expectations when shopping online, 86% of the respondents typically expected free returns, while 5% usually did not and 9% had not reflected on the matter.



Figure 4. Pie-chart showing the distribution of expectations of free returns in an online retail setting.

4.2. Hypothesis Testing

4.2.1. Signaling Effect on Pre-purchase Product Quality Perception

Independent Sample T-test: An independent sample t-test with a two-sided test for significance was performed to analyze the difference between the pre-purchase product quality perception in the treatment group (free returns) and the control group (no free returns). The results showed that there was no significant difference in perceived quality between the groups, t (98) = 1.567, p = .120. Therefore, the null hypothesis could not be rejected, and H1 was not empirically supported.

4.2.2. Effects on Post-purchase Product Quality Perception

Independent Sample T-test: The results of the independent sample t-test with a twosided test for significance showed that there was not a significant difference in postpurchase quality between the treatment groups, t (98) = 1.058, p = .298. Therefore, H2 was not empirically supported.

4.2.3. Perceived Quality and Return Intentions

Linear Regression: A linear regression with a bivariate Pearson's correlations test was conducted to test the third hypothesis. When examining the correlation between the post-purchase product quality perception and the return intention in the treatment group, there was a significant correlation, r(50) = -.446, p < .001. Likewise, there was a significant correlation between post-purchase product quality perception and return intention in the control group, r(46) = -.305, p = .017. Since the correlations in both groups were relatively similar, a regression analysis was performed on both groups combined. There was no significant correlation between the pre-purchase case and return intentions in the treatment group, r(98) = -.029, p = .419, nor in the control group, r(98) = -.101, p < .247, hence only the post-purchase product quality perception was examined further.

The regression (including both the treatment and the control group) showed a significant relationship between the post-purchase product quality perception and the return intention, $R^2 = .131$, F(1, 98) = 14.77, p < .001 with an unstandardized beta of - 0.34. Furthermore, the Pearson's correlations test showed that post-purchase quality had a significant negative correlation with return intentions, r(98) = -.326, p < .001.

The relationship between the post-purchase product quality perception and the return intention is visualized in Figure 5, which shows the negative correlation between the variables. In the figure there is an outlier in the top left corner, belonging to the control group. However, removing the outlier from the sample did not change the results remarkably.



Figure 5. Scatterplot showing the relationship between return intention and postpurchase product quality perception.

The results suggest that if the respondents rated the product quality as low postpurchase, this correlated with a high inclination of returning the product and vice versa. Therefore, the null hypothesis could be rejected and H3 was empirically supported.

A summary of the hypotheses and their empirical support is presented in Table 5.

 Table 5. Summary of Hypotheses

H1	A free return policy signals higher quality pre-purchase	Not empirically supported
H2	A free return policy affects product quality perception post- purchase positively	Not empirically supported
H3	Lower perceived quality leads to a higher return intention	Empirically supported

4.3. Additional Analysis

Mixed Model Analysis of Variance (ANOVA): The results of the mixed model ANOVA showed that there was not a significant interaction between the between-subject factor (free returns or not) and the within-subject factor (pre- and post-purchase), F(1, 98) = 0.11, p = .740. This means that the interactions between the pre- and the post-purchase stage did not significantly differ depending on whether the participants were offered free returns or not.

Furthermore, the results of the ANOVA show that there was no significant betweensubject effect, F(1, 98) = 2.51, p = .116, which confirms the findings from the independent t-tests. However, there was a significant within-subject effect, F(1, 98) =48.20, < .001, which means that the perceived quality significantly differs between the pre-purchase and post-purchase stage. The pre-purchase product quality perceptionmean was 4.10 and the post-purchase product quality perception 4.93, hence this test shows that the post-purchase product quality perception was significantly higher.

In sum, the mixed model ANOVA yielded the results that the post-purchase product quality perception was significantly higher than the pre-purchase product quality perception, but no other significant effects were found.

5. Discussion

The purpose of this thesis was to gain a better understanding of perceived quality preand post-purchase in an e-commerce setting and the relationship between product quality perception and return intention. More specifically, the study was aimed to answer the following research questions:

- *How does a free return policy affect the product quality perception of consumers in the pre-purchase stage?*
- *How does a free return policy affect the product quality perception of consumers in the post-purchase stage?*
- *To what extent does lower product quality perception lead to greater return intention?*

5.1. The Effects of a Free Return Policy on Product Quality Perception

Regarding the results in both the pre-purchase and post-purchase stage, there were no significant findings which suggest that free return has a signaling effect on perceived quality. This goes against current literature where support has been found for signaling in the pre-purchase stage (Abdulla et al., 2019). It also contradicts the findings of Wood (2001), who found significant effects in both stages.

Nevertheless, there are several differences in this study and the study by Wood, which might in turn have caused the results to differ. Firstly, although Wood also studied return policy leniency, it varied on the scope dimension rather than the monetary dimension. In Woods' study, the treatment group were allowed to return items while the control group were not. Nevertheless, disallowing returns would not be realistic in a Swedish context, since the right for consumers to return items from remote purchases is protected both by Swedish and EU-law, which contributed to the authors of this thesis choosing not to study this dimension (European Commision, 2018; SFS 2005:59). In a meta-study by Janakiraman et al. (2016), the results showed that the leniency dimensions affect consumers in different ways. Consequently, the differences in result between this study and Woods could be explained by different leniency dimension as the independent variable.

Secondly, no other study in this field was found by the authors which used the method of self-completion questionnaires. For instance, Wood (2001) conducted the experiment physically by letting the respondents order and receive an actual product. This difference in method might also be a reason why the results differ from previous studies since a scenario in a questionnaire is presumably less realistic.

Thirdly, the study by Wood was conducted in 2001, when online retailing was not as common as today. Wood speculated in the article that the signaling effect might not have been as strong if expectations were more homogeneous:

"There are greater variance in return policy leniency among remote retailers than among bricks-and-mortar retailers, and more homogeneous expectations of leniency may reduce the strength of potential signaling effects." (Wood, 2001, p.167)

As free returns online are becoming increasingly common (HUI Research et al., 2022), it is plausible that expectations in remote purchase settings have become more homogeneous in the last 20 years. Among the respondents of this study, a majority of 86% typically expect free returns when shopping online. Since the expectations of free returns were rather homogeneous, a free return policy might not be an adequate signaling factor for quality among online retailers anymore since it is already expected. Therefore, the signaling effects of free returns might be too weak to significantly alter product quality perception.

5.1.1. Free Returns as an Extrinsic Cue

Another reason why free returns did not have a significant signaling effects could be that return policy leniency was not a strong extrinsic cue. During the conduction of the experiment, many of the respondents told the authors that they believed the design of the website to dominantly influence their product quality perception. However, they also expressed that the video in the post-purchase scenario made them change their minds. The video shown in the post-purchase case could be the reason for the post-purchase product quality perception being higher than the pre-purchase product quality of the website, this could have caused a signaling effect of higher product quality in the post-purchase case. This is supported by some respondents expressing that they believed the video to be of higher quality than the website. There is a possibility that although the free returns statement was highlighted in a bold font, the extrinsic cue of the website layout and the video might have been more dominant, which made the free returns less considered in the overall quality evaluation.

The website and video being dominant cues could arguably be seen as a flaw in the study but on contrary a consumer in an online retailing situation would be exposed to multiple extrinsic cues simultaneously, with the website design being one of them. If the cue of free returns was studied in isolation without additional information about the retail environment, the importance of the cue might be exaggerated in the study and not representative of a realistic situation.

5.1.2. Endowment Effect

The "endowment effect theory" could provide a suggestion as to why the post-purchase product quality perception was significantly higher than pre-purchase. The endowment effect is when consumers value things that they own higher than what they do not (Kahneman et al., 1990). There is also evidence that suggests that the effect is present even if the consumers do not have the products in their physical possession yet (Sen & Johnson, 1997). This could have implications for the results in this study. In the scenario given to the respondents, they hypothetically did not own the mobile case in pre-purchase stage but did hypothetically own it in the post-purchase even though they did not have the product in their possession, which might have led to a higher product quality perception to confirm their belief that the product was worth more post-purchase.

5.2. Product Quality Perception and Return Intention

The result of the regression analysis showed a significant negative correlation between product quality perception and return intention. The results implies that H3 is supported.

From a literature and theoretical standpoint, there was limited research concerning this issue and therefore, from the available research out there, the authors deduced that if the perceived quality does not meet the customer's expectations, it should result in a return of the item. This is because one of the main reasons for a customer to return a purchased product is if the item received was deemed of poor quality upon receival (UPS, 2019). The authors hypothesized that if that case was true for the *actual* quality, it should be the same for the *perceived* quality as well. The results of the study confirmed this since when a respondent rated the product quality as low, it correlated with a higher tendency to intending to return the product. Thus, supporting the deduced hypothesis.

5.3. Conclusion

In sum, the answer to the first research question; *How does a free return policy affect the product quality perception of consumers in the pre-purchase stage?* is that it does not. The answer to the second research question; *How does a free return policy affect the product quality perception of consumers in the post-purchase stage?* is likewise that it does not. Free returns in an online retail setting does not significantly affect the product quality perception of Swedish consumers in the pre-purchase stage, nor does it have a significant effect in the post-purchase stage. The answer to the third research question; *To what extent does lower product quality perception lead to greater return intention?* is that the study shows empirical support for a lower perceived product quality correlating with higher return intentions.

5.4. Implications

Theoretically, this research contributes to the knowledge about the cognitive effects of monetary leniency. By finding results which are not in line with previous studies, especially concerning the article by Wood (2001), it highlights the importance of replicating research when circumstances change such as when consumer expectations might have shifted. The results further address the research gap on product quality perceptions' relation to return intentions by providing empirical evidence of the two variables correlating.

The findings also have practical implications through providing managerial insights. As mentioned, reducing consumer returns in e-commerce is a highly relevant topic for Swedish online retailers, since returns constitute both significant costs and a negative environmental impact. There are multiple ways in which retailers are trying to mitigate these negative effects, but the authors argue that the most efficient way is if the consumers choose not to return the products in the first place. The result of the study suggests that product quality perceptions negatively correlate with return intention, which implies that if retailers want to reduce the number of returns, they should try to improve the perceived quality of their products. However, the results of the study also generates the insight that a free return policy might not considerably affect the product quality perception of their products.

As the e-commerce market is rapidly growing and the number of retailers offering a free return policy is on the rise, there are effects of free returns that are yet to be discovered. As a contribution to this growing field of research, this thesis has aimed to answer how a free return policy may affect consumer returns, cognition, and behavior. However, further studies regarding this topic are highly encouraged, especially since the results did not confirm current literature and the survey judgment of this study suggested that other factors such as website layout might influence quality evaluation. Therefore, research on how website design affects perceived product quality and if this in turn affects return intentions could provide beneficial knowledge to online retailers.

5.5. Limitations

As the sample of this study was chosen out of convenience, it could pose as a shortcoming since it is not representative of the Swedish population, making the result of the study limited in terms of generalizability. Related to this limitation is the risk of selection bias. The selection of the subjects of the sample was based on a randomized process. However, the risk of selection bias is still present as the authors were physically distributing the questionnaire at two universities, the Stockholm School of Economics and Stockholm University. This means that the respondents were mostly undergraduates and students. Thus, selection bias could arise as other groups are

underrepresented (Bell et al., 2019). As previously mentioned, return proclivity has been higher in studies which used student samples in comparison to non-student samples (Janakiraman et al., 2016). Therefore, the respondents in this study could in general have a higher return intention, which could affect the generalizability of the results. Furthermore, the size of the sample could also pose as a shortcoming. As this study aims to examine the data from two groups, the treatment and control group, a larger sample size would have generated a greater representation of the population (Bell et al., 2019).

Another limitation of the study concerns the self-completion questionnaire. The reach of the questionnaire was restricted since the authors chose to not distribute it online. On the contrary, by physically distributing the questionnaire, it resulted in a higher response and completion rate which in turn decreases the risk of bias in the findings (Bell et al., 2019). Nevertheless, along with self-completion questionnaires comes the risk of respondent fatigue. For the respondents to have the energy to complete the questionnaire, it is therefore important to have clearly formulated questions that are easy to follow, and the length of the questionnaire must be kept short. However, measures were taken to avoid this risk, as discussed in the section *3.2.2. Methodological considerations*.

The item chosen for the experiment, a phone case, also posed as a limitation as the results could be limited in terms of generalizability to other items. The purchase of a phone case could be very individual when it comes to the preference of colour, design, purpose, durability, quality etc. There are also people who choose to not even buy a case and the frequency of purchasing it may vary depending on age and preference. Therefore, the use of a single product could have affected the outcome of this study. Another aspect to take into consideration was the model of the phone case. The case used was suited to an Apple iPhone, which may have influenced the respondents who possessed a phone of another brand. However, the risk of individual's subjectiveness will exist, to different degrees, regardless of what item is chosen as people will inevitably have different preferences and opinions. The choice to not set a price on the phone case was deliberate to eliminate the risk of price sensitivity affecting the results. However, setting a price out could have given rise to another outcome.

Having a written scenario in the questionnaire could be another limitation as it could have been perceived as unrealistic. Making a scenario appear realistic requires detail. Extensive effort was therefore applied to constructing the scenario, to make it as clear and realistic as possible. Nonetheless, a described scenario could never replace a reallife experience and therefore the risk of it being perceived as unrealistic remained.

The limitations concerning the multi-item scales consisted of not finding a perfect fit for the variables in this study. The mentioned marketing scales handbook provided existing scales that have been used in previous research. However, no scale was a perfect match for what the authors sought to test with the third question. Adjusting the scales to fit the study could possibly impair their validity.

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7. Appendix

Appendix 1: The Survey

Block 1: Introduction

Hej!

Vi är två studenter på Handelshögskolan i Stockholm som just nu skriver vår kandidatuppsats i marknadsföring. Vi skulle verkligen uppskatta om du vill svara på vår enkät! Den beräknas ta ungefär **5 minuter** att genomföra.

Tack för att du tar dig tiden!

[Translation: Hi! // We are two students at the Stockholm School of Economics who are currently writing our bachelor thesis in marketing. We would highly appreciate if you would like to answer our survey! It is estimated to take 5 minutes to complete. // Thank you for taking the time!]

/Helena Zhang och Bianca Johansson

Block 2: GDPR

Projektet: Som en del av vår kandidatutbildning i Business och Economics på Handelshögskolan i Stockholm genomförs en enkätstudie för att samla in data till vår kandidatuppsats. Deltagande i studien är helt frivillig och denna text har som syfte att ge dig nödvändig information om dina rättigheter samt behandling av din data. Du kan närsomhelst ta tillbaka ditt samtycke och din data kommer därefter att permanent raderas.

Sekretess: Allt som du anger i enkäten kommer att hållas under strikt sekretess, samt kommer bara vara tillgängligt för ansvariga studenter, handledaren och kursansvariga.

Säker lagring av data: All data kommer att lagras och processas säkert av Handelshögskolan i Stockholm och kommer att raderas permanent när studien är färdigställd.

Ingen personlig data kommer att publiceras: Kandidatuppsatsen som skrivs av studenterna kommer inte att innehålla någon information som kan identifiera dig som en deltagare av enkäten.

Dina rättigheter under GDPR: Du är välkommen att besöka https://www.hhs.se/en/aboutus/data-protection/ för att läsa mer och få mer information om dina rättigheter i förhållande till din personliga data. [Translation: The project: As an integral part of the bachelors program at the Stockholm School of Economics, enrolled students complete an individual thesis. This work is based upon a survey connected to the subject. Participation is entirely voluntary, and this text is intended to provide you with necessary information about that may concern your participation in the study or interview. You can at any time withdraw your consent and your data will thereafter be permanently erased. //Confidentiality: Anything you say or state in the survey or to the interviewers will be held strictly confidential and will only be made available to supervisors, tutors and the course management team. //Secured storage of data: All data will be stored and processed safely by the SSE and will be permanently deleted when the projected is completed. //No personal data will be published: The thesis written by the students will not contain any information that may identify you as participant to the survey or interview subject.//Your rights under GDPR: You are welcome to visit https://www.hhs.se/en/about-us/data-protection/ in order read more and obtain information on your rights related to personal data.]

Studenter som är ansvariga för studien: [Translation: Students responsible for the study] Bianca Johansson och Helena Zhang

Handledare: [Translation: Tutor] Hanna Berg, Department of Marketing and Strategy Mail: Hanna.berg@hhs.se

Klicka i nedan om du har tagit del av informationen ovan och **samtycker** till att delta i studien:[*Translation: Fill in the box if you have read the information and consent to participate in the study*]



Jag samtycker

[Translation: I consent]

Block 3: Pre-purchase scenario – Treatment group



Vänligen läs texten nedan: [Translation: Please read the following text:]

Föreställ dig att du behöver ett nytt skal till din telefon. Du söker därför efter mobilskal på internet och klickar på en hemsida som säljer tillbehör till mobiltelefoner. Varumärke heter WiCase, och på deras e-handel hittar du ett telefonskal som du tycker om. Skalet som du har valt är svart, och bilden ovan är den du ser på hemsidan när du beställer. Överst på hemsidan ser du att det står "**fri retur på alla ordrar**". Du lägger din beställning och väntar på att skalet ska komma hem.

[Translation: Imagine that you need a new phone case. You therefore search for phone cases on the internet and click on a website which sell accessories for mobile phones. The brand is called WiCase, and on their website you find a case which you like. The phone case which you selected is black, and on the picture above is what you see on the website when you are ordering. On top of the website, you see that it says "free returns on all orders". You place your order and wait for the case to arrive home] Block 3: Pre-purchase scenario – Control group



Vänligen läs texten nedan: [Translation: Please read the following text:]

Föreställ dig att du behöver ett nytt skal till din telefon. Du söker därför efter mobilskal på internet och klickar på en hemsida som säljer tillbehör till mobiltelefoner. Varumärke heter WiCase, och på deras e-handel hittar du ett telefonskal som du tycker om. Skalet som du har valt är svart, och bilden ovan är den du ser på hemsidan när du beställer. Överst på hemsidan ser du att det står "**vid retur står du för fraktkostnaden**". Du lägger din beställning och väntar på att skalet ska komma hem.

[Translation: Imagine that you need a new phone case. You therefore search for phone cases on the internet and click on a website which sell accessories for mobile phones. The brand is called WiCase, and on their website you find a case which you like. The phone case which you selected is black, and on the picture above is what you see on the website when you are ordering. On top of the website, you see that it says, "in the case of returning items, you will bear the shipping cost". You place your order and wait for the case to arrive home.] Block 4: Pre-purchase quality perception

	Väldigt dålig kvalitet	2	3	4	5	6	Väldigt bra kvalitet
	1						7
	0	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc
[Translatior	n: Very poor qu	uality/Very g	ood quality]				

Produkten från WiCase har... [Translation: The product from WiCase has...]

Q3 Produkten från WiCase är... [Translation: The product from WiCase is...]

Underlägsen	2	3	4	5	6	Överlägsen
 1						7
0	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc

[Translation: Inferior quality/Superior quality]

Q4 Produkten från WiCase är... [Translation: The product from WiCase is...]

	Dåligt gjord	2	3	4	5	6	Välgjord		
	1						1		
	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc		
[Translation: Poorly made/Well-made]									

Block 5: Post-purchase scenario

Vänligen läs texten nedan:

Föreställ dig nu att det har gått några dagar sedan du beställde och du har fått hem ett paket i brevlådan. Paketet innehåller ditt mobilskal så du öppnar paketet och tar ut skalet. Föreställ dig att videon nedan visar hur det ser ut när du tagit ut skalet ur paketet.

[Translation: Please read the following text: Imagine that it has a couple of days have now passed since you placed your order and you have now received a package in the mail. The package contains your phone case, and you open the package and retrieve the case. Imagine that the video bellow is how the case looks when you have unboxed it]

Vänligen starta videon nedan nu: [Translation: Please start the video now]



Block 6: Post-purchase quality perception

Väldigt Väldigt dålig bra kvalitet 2 3 4 5 6 kvalitet 1 7 \bigcirc \bigcirc \bigcirc \bigcirc \bigcirc \bigcirc \bigcirc [Translation: Very poor quality/Very good quality]

Produkten från WiCase har... [Translation: The product from WiCase has...]

Q3 Produkten från WiCase är... [Translation: The product from WiCase is...]

	Underlägsen	Överlägsen					
	1	2	3	4	5	6	7
	0	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc
[Translatio	n: Inferior quality/	Superior qu	uality]				

Q4 Produkten från WiCase är... [Translation: The product from WiCase is...]

Dåligt gjord	2	3	4	5	6	Välgjord
 1						7
0	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc

[Translation: Poorly made/Well-made]

Block 7: Encouraging message

Bra jobbat, mindre än hälften av studien kvar nu!

[Translation: Good job, only have half of the study left!]

Block: Return intentions

Skulle du vilja returnera mobilskalet? [Translation: How likely would you be to return the product?]

	Väldigt osannolikt att jag returnerar	2	3	4	5	6	Väldigt sannolikt att jag returnerar
	1						7
	0	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc
[Translatio	n: Very unlikely/V	ery likely]					
	Mycket ovillig att returnera	2	3	4	5	6	Mycket villig att returnera
	1						7
	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc
[Translation: Very unwilling/Very willing]							

Mycket obenägen att returnera	2	3	4	5	6	Mycket benägen att returnera	
 1						7	
\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	\bigcirc	

[Translation: Very uninclined/Very inclined]

Block 9: Expectations

När du handlar på internet, förväntar du dig att du ska få en fri retur på ditt köp?

[Translation: When shopping online, do you expect to get free retuns on you purchase?]

\bigcirc	Ja, oftast
\bigcirc	Nej, oftast inte
\bigcirc	Inget jag har reflekterat över

[Translation: Yes, I usually do / No, I usually do not / I have not reflected upon this]

Block 10: Attention check

Produkten i denna enkät handlade om ett:

[Translation: The product in this survey was a:]

\bigcirc	Bord
\bigcirc	Mobilskal
\bigcirc	Träd
\bigcirc	Äpple

[Translation: Table / Phone case / Tree / Apple]

Block 11: Demographics

Vänligen ange din ålder (ange i siffror): [Translation: Please state your age (in numbers)]

Ange ditt kön [Translation: State your gender]
O Man
O Kvinna
O Annat

Vill ej ange

[Translation: Man / Women / Other / Do not want to answer]

Block 12: Survey judgement

Var enkäten tydlig och enkel att följa? [Translation: Was the survey easy to understand and follow?]

) Ja) Nej

[Translation: Yes / No]

Upplevde du att situationen som beskrevs i enkäten liknade hur ett köp går till i verkligheten?

[Translation: Do you believe that the described scenario in the survey resembled a real-life purchase?]

()
1		

Ja, situationen kändes realistiskt

Nej, situationen kändes inte realistiskt

[Translation: Yes, the survey felt realistic / No, the survey did not feel realistic

Upplevde du att frågorna i enkäten försökte styra dina svar?

[Translation: Did you feel like the questions in the survey tried to influence your answers in any direction?]



[Translation: Yes / No]

End of Survey

Appendix 2: Judgement of Survey

Table 6. Judgement of survey, distribution of answers

Alternative	Yes	No
Was the survey easy to understand and follow?	93.0%	7.0%
Do you believe that the described scenario in the survey resembled a real-life purchase?	95.0%	5.0%
Did you feel like the questions in the survey tried to influence your answers in any direction?	87.0%	13.0%
<i>Note</i> : N = 100		