

# The Relevance of Customers' Perception of Financial Benefits in the Context of Loyalty Programs for Product Returns Management

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## **Abstract**

Each year, billions of returned products contribute to both significant environmental and internal costs for retailers. Existing literature explores various measures to minimize returns. Our study focuses on a customer loyalty program, assessing financial incentives and penalties associated with potential returns. We delve into the customer's decision-making processes. Using a quasi-experimental online survey (N = 138) and applying expected utility and fairness theory, we discovered that customers' behavioural adjustments hinge on their perception of the financial benefit relative to potential penalties. This perception significantly influences program participation, online store patronage, and fairness perception. Interestingly, the penalty amount plays a secondary role, while the perception of fairness emerges as a crucial mediating factor. Furthermore, our findings reveal that those seeking to reduce returns do not necessarily prioritize higher benefits.

**Subject Areas:** *Consumer Behaviour, Product Management, Retailing*

**Track:** Retailing & Omni-Channel Management