The Influence of Augmented Reality on Consumers' Product Returns in Online Retailing

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Abstract

Augmented Reality (AR) is increasingly used in online retailing to enhance prepurchase evaluations by allowing consumers to virtually try products. Although AR has been shown to improve purchase-related outcomes, its impact on product returns, a major challenge for online retailers, remains unclear. This study investigates how AR influences product returns, focusing on size fit, as size is the primary reason for returns. Using a combination of secondary data and two lab experiments, we demonstrate AR's potential in reducing product returns when it accurately shows the size of a product. However, AR results in inflated consumer expectations when sizing accuracy is lacking, leading to mixed outcomes. We bring in insights from computer science to better explain this empirical phenomenon. Our findings highlight the need to better calibrate AR and manage consumer expectations to realize AR's potential in reducing returns. This research contributes to understanding AR's role in mitigating the expectation-realization gap and offers practical insights for retailers to optimize AR implementations.

Keywords: *Augmented Reality, Product Returns, Online Retailing*
Track: *Retailing and Omni-Channel Management*