

The effect of loyalty program membership on product returns

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Cite as:

Pulci Lena, Kessing Katharina, Garnefeld Ina, Böhm Eva (2026), The effect of loyalty program membership on product returns. *Proceedings of the European Marketing Academy*, 55th, (134277)

Paper from the 55th Annual EMAC Conference, Bath, United Kingdom, June 2-5, 2026



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Abstract

Online retailers face a persistent dilemma between the high costs of product returns and the benefits of lenient return policies that reduce customer uncertainty and enhance satisfaction. This paper offers a new perspective by examining how loyalty program membership influences product returns. Although loyalty programs are widely used to strengthen customer-firm relationships, their impact on product returns has received no scholarly attention. Drawing on entitlement theory and evidence from an experimental study, we show that customers who are (standard or premium) members of a loyalty program feel more entitled to return products. As a result, their return rates are significantly higher, increasing by 7 to 14 % compared to non-members. These findings reveal an overlooked downside of loyalty programs and highlight the need for retailers to reconsider how loyalty programs may unintentionally encourage undesirable customer behavior.

Track: Retailing & Omni-Channel Management