

The Impact of Consumer Return Strategies on Omnichannel Retailing

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Abstract (12 font)

In this paper, we consider a retailer adopting the “omnichannel” sales policy that offers customers a more convenient option for shopping and buying. The retailer operates both a physical and a web-based online store. The web-based channel provides customers better shopping conveniences and detailed product information through websites and mobile apps; whereas physical store allows customers to physically inspect or even experience the product in the store the product before making a purchase decision. Due to the uncertainty in product valuation, customers may end up returning the product purchased for a full or partial refund. Hence, we develop a stylized game theoretic model to study the impact of consumer return strategies on retail sales and profitability. We show that product value and refund policy determine the online customer's choice of returning products through “online”, or at “store”. Our analysis identifies the ideal conditions under which each return policy is beneficial to the retailer. Further, we find that under full refund policy, the price of the product increases.

Keywords (12 font)

Omnichannel, Product returns, Game theory

Biography

Prasenjit Mandal is an Assistant Professor in the area of Operations Management in the Indian Institute of Management Calcutta, Kolkata, India. He earned B.E. in Production Engineering from Jadavpur University, India and PhD in Decision Sciences and Information Systems from Indian Institute of Management Bangalore, India. He has published journal conference papers in European Journal of Operations Research. His research interests include dynamic inventory and pricing, assortment planning, supply chain contracts etc. He is a member of POMS and SOM.