Unethical product returning refers to an abuse of a firm’s returns policy by a consumer. We analyzed the influence of psychological (social) distance on the probability of unethical returning. Retail channel, firm size, and personalization strategy were shown to influence consumers’ experienced social distance and consequently probability of unethical return.

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Unethical Product Returning as a Function of Consumers´ Experienced Psychological Distance
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EXTENDED ABSTRACT

Unethical product returning refers to a form of consumer misbehavior that is characterized by abuse of a firm’s returns policy by a consumer. Harris (2008) defined unethical product returning to be knowingly returning “a functional but used or post-purchase damaged product to any store without informing the store of the use or the true cause of damage” (p. 464). Unethical product returning by consumers is a source of great expense for retailers in terms of re-shipping, quality checks after the return, repackaging or even destroying the products. Therefore, research and practice warrant explanations for the prevalence of this misbehavior (Rosenbaum, Kuntze, and Wooldridge 2011).

Literature previously focused on issues such as which products typically are returned (Piron and Young 2000), motivations to defraud (Schmidt et al. 1999), demographic or psychographic factors that influence unethical product returning (King and Dennis 2003; Harris 2008), neutralization techniques of customers who defraud (Rosenbaum, Kuntze, and Wooldridge 2011), determinants of the success of the fraud (Harris 2010), the perspective of service employees on unethical product returning (O’Brien, Hill, and Autry 2009), and contextual factors that influence unethical product returning (e.g., firms’ return policies, Chu, Gerstner, and Hess 1998).

This article extends previous research on contextual influences on unethical product returning in terms of the following issues: First, we introduce and systematically test the impact of psychological distance experienced by consumers towards a company on the probability of executing unethical product returning. While recent research has shown the importance of psychological distance for the extent of trust associated with a retailer (Darke et al. 2016), we consider psychological distance in the area of consumer misbehavior. Psychological distance is connected to construal-level theory (Trope, Liberman, and Wakslak 2007). The basic assumption is that more distant entities are constructed on a higher level and are therefore represented more abstractly than proximal entities. Abstraction, then, can influence how consumers process and evaluate information (Dhar and Kim 2007). We focus on social distance as one facet of psychological distance because of its special importance for unethical product returning, as research has found consumers to hesitate to execute unethical product returning when they anticipate embarrassment in front of service personnel (e.g., Harris 2010).

Second, we systematically consider two contextual variables that may influence psychological distance; in particular, we analyze how the retail channel (offline vs. online) alone or in interaction with firm size (small vs. large firms) affects psychological distance and therefore the probability of unethical product returning (Study 1). We derive two hypotheses:

**Hypothesis 1:** The probability of unethical product returning is higher when the product is purchased online than when it is purchased at a brick-and-mortar (offline) store. This relationship is mediated by the social distance experienced by consumers.

**Hypothesis 2:** Firms size moderates the effect proposed in H1. More specifically, the effect of an online (vs. offline) channel on unethical product returning via social distance is stronger for small firms while it is weaker or even absent for large firms.

As a third contribution, we consider ways to decrease unethical product returning. Previous studies have focused on financial methods to reduce unethical product returning, such as fees for re-shipping (Chu, Gerstner, and Hess 1998; Hjort and Lantz 2012). The present paper supplements the consideration of financial costs by taking “psychological cost” (Chu, Gerstner, and Hess 1998, p. 143) into account. By suggesting that a smaller psychological distance affects the psychological cost of unethical product returning, we analyze possibilities for firms to reduce UPR via reducing psychological distance (Study 2). We analyze the impact of “giving the online retailer a face” – a personalization strategy that applies a personal purchase advisor on the website. We derive the following hypotheses:

**Hypothesis 3:** An online retailer can decrease the probability of unethical product returning by applying (vs. not applying) a personalization strategy on the website. The effect of personalization is sequentially mediated by reduced social distance and increased anticipated return risk.

**Hypothesis 4:** The effect proposed in H3 is stronger for small firms and weaker or even absent for large firms.

We conducted two experimental studies. Study 1 employed a 2 (retail channel: offline vs. online store) × 2 (firm size: small vs. large) between-subjects design. Study 2 focused on the online channel and used a 2 (personalization strategy: absent vs. present) × 2 (firm size: small vs. large) between-subjects design. We applied a scenario approach in the context of a jewelry retailer (Study 1) and a clothing retailer (Study 2). We used third-person scenarios, which are recommended to decrease socially desirable answering. Participants indicated the probability of returning the product and experienced psychological distance from the third-person perspective (Fisher 1993). Since only participants who had recognized the firm’s return policy, a higher probability can be interpreted as abuse of these rules. We used mediation analyses and moderated mediation analyses to calculate effects. The results confirmed retail channel to influence consumers’ experienced social distance and consequently probability of unethical product return (H1). This effect was moderated by firm size (H2). We found that personalization strategy on a website reduced social distance. The results confirm a chain of effects of personalization on the probability of unethical product returning via social distance and anticipated return risk (H3). H4, suggesting a moderation of the website personalization effect by firm size, was rejected.

Several further research avenues are worth considering. First, we focused on unfamiliar retailers. Since research has discussed the relevance of familiarity for social distance (Edwards et al. 2009), further studies should ask whether the effects found here hold for...
familiar retailers. In Study 2, participants were exposed to a purchase advisor they did not know. Therefore, research could consider the effects of avatars that are used in integrated communication (e.g., when consumers already know the avatars from advertising or other sources). Second, as the results for H3 have shown, anticipated return risk served as a mediator. However, processes that are more closely related to relational aspects should be considered (as the impact of reduced social distance on trust; Darke et al. 2016).

REFERENCES