

The Effect of Return Policies on Customer Loyalty in E-commerce

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Abstract: *In the rapidly growing e-commerce industry, return policies have become a critical factor influencing consumer behavior and decision-making. This study explored the effect of return policies on customer loyalty within e-commerce, specifically focusing on Shopee, in the Philippines. Utilizing a descriptive-correlational research design, the study surveyed 102 Shopee users from Mabalacat City College, who had prior return experiences. The findings revealed that the most common reasons for product returns were receiving incorrect items, defective or damaged goods, size or fit issues, and product mismatches. Furthermore, respondents generally perceived Shopee's return policy as straightforward, flexible, and satisfactory, with reasonable refund options, processing timeframes, and responsive customer support. The study also found that effective return policies significantly enhanced repurchase intention, fostered trust in the platform, and encouraged positive word-of-mouth. Statistical analysis confirmed a significant effect between return policy and customer loyalty. The results offer valuable insights for e-commerce businesses aiming to optimize their return policies to boost customer retention. Future research could expand on these findings through comparative or longitudinal approaches and larger sample sizes to further explore evolving consumer behavior.*

Keywords: *Return policy, Customer loyalty, E-commerce, Shopee*

1. INTRODUCTION

The electronic commerce (e-commerce) industry has experienced unprecedented growth over the past years, mainly driven by technological advancements, shifting consumer behaviors, and the recent global pandemic. It was established in the 1960s with the implementation of the Electronic Data Interchange (EDI), which allowed businesses to exchange data. This usage of electronic networks continued until it boomed in the 1990s with the rise of online market platforms such as Amazon and eBay (Shiprocket, n.d.; eCommerce Education, n.d.). As defined by Jamsheer (2019), e-commerce now automates business relations and workflows through the utilization of telecommunication networks. It has emerged as a dominant force in the global economy that fundamentally changed the way businesses and consumers interact.

As of 2024, there are over 26.6 million e-commerce sites worldwide (Sellers Commerce, 2024). It has opened doors of opportunities for business organizations to improve their market position and widen their customer reach. Consumers have also been allowed to reach the world market with such ease that the practicality offered by e-commerce has made it one of the fastest-growing retail markets. Additionally, with the occurrence of the COVID-19 pandemic, a study has found that consumers are now more likely to prioritize safety and convenience, giving an estimate of 300 to 350 million online shoppers by 2025 (Bain & Company, 2020). As consumers increasingly turn to these various e-commerce platforms as their mainstream for their shopping experience, customer expectations grow higher and competition fiercer, which

makes e-commerce businesses work harder to enhance customer experience while simultaneously cutting costs.

Shopee, in particular, has emerged as the most downloaded shopping app in the Philippines, with over 40 million downloads as of 2023, underscoring its popularity among consumers (iPrice Group, 2023). Launched in 2015, Shopee's rapid growth is attributed to its user-friendly platform, wide product variety, and competitive pricing (Wong, 2021). Shopee's expansion in the Philippines aligns with the broader rise of digital platforms during the pandemic, which increased demand for accessible online shopping solutions (Fernandez, 2022). This platform has built a loyal customer base, partly due to its customer-centric features such as free shipping, promotions, and flexible return policies (Lee et al., 2023).

E-commerce has simplified the process of purchasing goods which allows customers to compare products across multiple websites. Hence, most people tend to buy more than what is needed. This effect has two sides: on one hand, it facilitates the purchasing process; on the other hand, it offers the potential to make non-optimal product selections, which in turn increases the likelihood of returns. Based on the report of the National Retail Federation (2021), the return rate jumped from 10.6% in 2020 to 16.6% in 2021. Return policies appear to be a viable solution for consumers as they mitigate their risk which could also be a reasonable approach for merchants to establish positive relationships with their customers.

Findings from the National Retail Federation (2023) revealed that 67% of consumers prioritize return policies when selecting retailers. This underscores the importance of return policies in fostering long-term relationships in competitive markets. For Shopee, maintaining an effective return policy is

essential to staying competitive in the Philippines' rapidly growing e-commerce landscape. The platform has adapted by providing clear guidelines and an efficient return process, reinforcing its market position as a customer-oriented service provider (Ang, 2021). This reflects a larger trend in which e-retailers recognize the strategic role of return policies in improving customer satisfaction and loyalty (Harrison & Moore, 2023).

However, it is important to note that an extensive return policy is not a cure-all only due to its apparent benefit. Although it can help to enhance customer experience, having a broad return policy is not without its drawbacks. The implementation and management of these standards provide significant financial and logistical challenges for many e-commerce enterprises, especially smaller shops. The cost of sale return is significantly made up of shipping, restocking, and product depreciation (Grosse-Ruyken et al., 2022). Thus, it is essential for e-commerce businesses to establish procedures that both fulfill consumer satisfaction and provide financial stability. This necessitates meticulous planning and analysis to ascertain the most efficacious strategy for returns, taking into account both direct expenses and the influence on consumer outcomes (Zhang et al., 2022).

As Hijort et al. (2019) argue, the focus of returns management has moved from being a cost center aspect of operations to a value recovery and customer value creation. This change in focus highlights the strategic importance of returns management in achieving a competitive edge, especially because the true cost of returns does not only revolve around logistics and product cost but also the overall customer experience which could be easily damaged. Hence, e-commerce businesses still offer a return policy system in the hope that it will transform into a profit-making activity from the potential positive effect on demand that will outweigh the negative impact on returns.

The purpose of this study was to provide an analysis of how return policies influence customer loyalty in the e-commerce landscape, focusing on Shopee in the Philippines. The study served as a valuable resource for e-commerce businesses seeking to improve their return policies and foster long-term positive customer outcomes such as loyalty. The findings have practical implications for developing and optimizing effective return policies and contributed to a broader understanding of returns management as a strategic tool in enhancing customer experience.

2. REVIEW OF RELATED LITERATURE

The rapid expansion of e-commerce has transformed how businesses run and how customers spend over the last 20 years, going from being a small sector to a major force in retail. As consumers increasingly turn to online shopping, understanding the factors that drive customer loyalty has become a top priority for e-commerce businesses striving to succeed in this highly competitive market.

Republic Act No. 7394 or the Consumer Act of the Philippines was enacted to protect the rights of Filipino consumers and promote fair trade practices. According to the Department of Trade and Industry (2021), the law ensures that consumers receive accurate product information and access to grievance mechanisms such as Consumer Welfare Desks. These protections are especially crucial in e-commerce where physical product inspection is not possible before purchase. Research by Luna and Figueroa (2020) showed that awareness of consumer rights positively influences purchasing behavior, while Velasco (2019) emphasized that effective complaint handling strengthens consumer trust. In the context of online shopping, return policies serve as a direct extension of these consumer rights, playing a vital role in reducing perceived risk, enhancing satisfaction, and ultimately building customer loyalty.

In line with this, one of the common challenges faced by consumers, particularly in the growing field of e-commerce, is the prevalence of product returns. Several studies have pointed to fulfillment-related issues as major drivers of product returns in e-commerce. Singh and Dangmei (2022) emphasized that errors, such as sending the wrong item or damaged goods, are among the leading causes of returns. These fulfillment errors not only create inconvenience for customers but also lead to dissatisfaction, increasing the likelihood of return behavior.

Gupta et al. (2023) further noted that sizing and fit issues are particularly prevalent in the online apparel and footwear categories, which are prone to frequent product returns due to the challenges of assessing these factors through digital mediums. The absence of physical interaction with products often results in mismatches between expectations and actual items received.

Additionally, Santos and de la Cruz (2021) highlighted that a misalignment between product representation on e-commerce platforms and customer expectations is another significant contributor to return behavior. They stressed that inaccurate product descriptions, poor-quality images, and inadequate product details can result in customers receiving items that do not meet their expectations, thereby undermining customer trust and increasing the likelihood of returns.

Chen et al. (2020) underscored the broader implications of these return drivers, emphasizing that high return rates not only increase operational costs for retailers but also negatively impact customer satisfaction. This, in turn, ultimately influences brand loyalty as customers may perceive frequent returns as a sign of poor product quality or unreliable service.

Beyond the causes of returns, how businesses manage and structure their return policies also plays a critical role in shaping consumer behavior. According to the study of Shanmugapriya et al. (2022), more value was given by the consumers to the quality of the e-retailer's return policy than to the price of the product. Having easy and clear return policies drives consumers to shop more at the same e-retailer and confidently recommend it to their family and friends. It is

established that return policies affect the future purchasing behavior of consumers as well as word-of-mouth activities after sale, which are both indications of high satisfaction and loyalty to the business. Thus, return policies become a factor that consumers consider in selecting a website to purchase from.

Tyagi and Dhingra (2021) also identified the crucial role of return policies in mitigating post-purchase dissonance among online shoppers. They found that an effectively implemented return policy can increase consumers' perceptions regarding product quality and boost their confidence in making their purchases online. This, in turn, leads to increased customer satisfaction and loyalty, fostering a positive brand image.

Finally, Rokonuzzaman et al. (2021) delved into the significant impact of a retailer's return policy on consumer decision-making. They posited that return policies act as crucial cues, interacting with factors such as product quality, price, and perceived risk. Their findings revealed that a well-structured return policy can significantly reduce perceived purchase risk, thereby enhancing the store's image and boosting patronage intentions. This underscores the strategic importance of return policies in retail, suggesting that retailers can leverage these policies to build consumer trust and loyalty.

When it comes to the aspects of return policy, Huang and Benyoucef (2019) highlighted that when return shipping is either free or low-cost, customers are more willing to make a purchase, knowing they won't be charged large fees if they need to return something. This shows just how crucial it is for return policies to factor shipping costs to foster customer loyalty.

The refund process is another vital area; a complicated or slow refund can be incredibly frustrating. Kumar and Pansari (2019) argued that clear and fast refund procedures are essential for keeping consumer trust. Customers are far more likely to choose retailers that make refunds quick and easy. Chen et al. (2021) further noted that offering diverse and convenient refund mechanisms significantly boosts customer satisfaction in the context of returns.

Compensation mechanisms are identified as critical to trust-building. Kumar and Reinartz (2022) found that compensation, whether in the form of refunds, vouchers, or product replacements, reinforces consumer trust and fosters stronger brand-consumer relationships. Lee and Park (2021) emphasized that transparent and efficient refund processes help reduce post-purchase anxiety and play a key role in customer retention.

Exchanging items is also an aspect that can greatly affect customer experience. Grosse-Ruyken et al. (2022) suggested that having clear and efficient exchange processes can enhance trust and lead to greater loyalty, especially when the exchanged item fits the customer's needs better. Retailers that streamline the exchange experience are likely to build positive relationships with customers, who appreciate having flexibility.

Effective communication between retailers and customers during the return process is also critical. According to Cuthbertson and Grewal (2021), being proactive about sharing information on return policies, procedures, and updates can significantly improve customer satisfaction and loyalty. When customers feel informed and supported, their overall shopping experience improves, reinforcing their commitment to the brand.

Responsive and effective customer service has long been recognized as crucial in enhancing customer satisfaction, particularly during post-purchase interactions such as returns. Chang et al. (2020) emphasized that responsive customer support builds long-term trust and helps minimize frustration during return processes. Their study underscored the psychological value customers place on being heard and helped when encountering issues with their purchases, making service quality a key determinant of brand loyalty.

Similarly, Roggeveen and Sethuraman (2020) added that a well-executed return policy, combined with excellent customer service, not only reinforces consumer trust but also leads to positive word-of-mouth, which is crucial in a competitive e-commerce environment. By providing a seamless and customer-centric return experience, e-commerce businesses can enhance their reputation and attract new customers.

Supporting these insights, Xu et al. (2021) found that accessible and helpful return-related customer service significantly improves customer retention and reduces negative emotions linked to post-purchase issues. Their research demonstrated that even when returns are necessary, handling them can determine whether a customer remains loyal or turns away from the platform.

Another important factor is the flexibility of return policies. According to the study of Chen and Hsu (2021), policies allowing for easy exchanges or providing options for store credit can significantly enhance customer satisfaction. Having different ways for resolving issues, customers feel more empowered and are likely to develop a stronger bond with the retailer. This flexibility is particularly crucial in the fashion industry where customers frequently face size and fit challenges.

Research by Choi and Lee (2020) highlighted that clearly stated return requirements enhance trust and purchasing confidence. In support of this, Chen et al. (2021) found that providing a well-defined and generous return window helps mitigate post-purchase stress and boosts customer confidence. When shoppers can easily understand the terms of a return policy—including deadlines and conditions—they are more inclined to trust the retailer. This trust not only improves the shopping experience but also encourages repeat purchases, which shows the importance of clarity in return policies.

Perceived fairness in return policies is another critical aspect. Research by Wirtz et al. (2021) found that customers evaluate return policies not just based on convenience but also

on their sense of fairness. If a policy is perceived as overly strict or unfair, it can lead to dissatisfaction and discourage future purchases. In contrast, fair policies that prioritize customer interests can significantly increase loyalty.

Beyond these, the return policy itself plays a critical role in shaping consumer perceptions and behaviors. According to Zhao et al. (2023), a retailer's return policy often serves as a reflection of its values and commitment to customer satisfaction. Positive return experiences can generate favorable reviews and recommendations, thereby enhancing brand reputation and attracting new customers. Conversely, negative experiences can spread quickly through word-of-mouth, damaging a retailer's standing in the market.

Supporting this, Ridwan et al. (2023) found that consumers who experience a hassle-free return process tend to be more satisfied with their overall shopping experience. This is particularly significant for e-commerce businesses where customer trust and satisfaction directly correlate with return policy quality. This suggests that by offering generous return policies, retailers can foster stronger relationships with their customers, enhancing brand loyalty.

Customer-centric return policies have become an essential tool for boosting buyer confidence in online platforms, especially in markets where consumers cannot physically inspect products before purchase. Xu et al. (2021) found that consumers are more likely to complete their purchases when return policies are perceived as fair, transparent, accessible, and accommodating. They highlighted that a flexible return policy acts as a safety net for consumers, reducing the perceived risks associated with online shopping. This, in turn, encourages higher purchase intent and repeat transactions as customers feel more secure in their buying decisions.

Research by Davis et al. (2021) emphasized that clear and simple return procedures are fundamental to creating positive customer experiences. Their study showed that when return policies are easy to understand and follow, customers feel more confident in their transactions, leading to improved overall satisfaction. This simplicity in return procedures not only enhances customer trust but also contributes to reducing post-purchase dissonance, ensuring that customers do not feel regretful about their purchases.

Similarly, Liu et al. (2021) echoed this perspective, suggesting that a streamlined and user-friendly digital return process results in more favorable post-purchase evaluations. Their research focused on the importance of having a seamless, online return experience where customers can initiate returns effortlessly without encountering complicated steps or lengthy delays.

Ali and Haseeb (2022) also asserted that an intuitive and accessible return system is a crucial element for enhancing customer trust and satisfaction within the online marketplace. They found that the ease of initiating returns, coupled with clear communication about policies and expectations, significantly boosts consumer confidence. Their study also

highlighted that when customers perceive the return process to be hassle-free and consumer-friendly, they are more likely to trust the platform and make repeat purchases, thus fostering long-term customer loyalty.

Ranganathan and Jha (2020) also pointed out that effective reverse logistics processes contribute to a positive customer experience. Customers are more satisfied when the returns process is easy to use and minimizes irritation, which improves the whole buying experience. By minimizing the inconvenience associated with returns, e-commerce businesses can improve customer perceptions and boost the overall shopping experience.

Return policies continue to influence consumer behavior even after the sale is completed. Their impact extends beyond immediate satisfaction to shaping future purchasing decisions and fostering long-term customer loyalty. According to Kim and Johnson (2020), accessible and customer-friendly return policies reduce perceived risk and enhance shopping security, which in turn increases a customer's willingness to repurchase from the same platform. When customers know they can easily return items, it lowers the psychological barrier to purchase, creating a more secure shopping environment. This sense of protection encourages consumers to engage in repeated transactions, strengthening their loyalty to the platform.

Similarly, Lin and Wang (2020) found a positive relationship between favorable return policies and repeat purchasing behavior. Their research suggested that customers who encounter minimal resistance when returning products are more likely to return to the platform for future purchases. This reinforces the idea that return policies are not merely a reactive service but a proactive tool for retaining customers.

Moreover, Rahman et al. (2022) argued that negative return experiences, such as delays, poor communication, or unclear procedures, can lead to customer dissatisfaction, reducing the likelihood of repurchase. This demonstrates that it is not just the existence of a return policy that matters, but its execution and customer perception that shape loyalty outcomes. A return process perceived as complex or burdensome can erode customer confidence and drive them to seek alternatives.

Wang et al. (2019) further support this by noting that shoppers prefer platforms with flexible and clearly communicated return policies as they foster satisfaction and trust. Transparency and leniency in the return process build a sense of fairness and reliability, which are crucial factors in developing long-term brand relationships. Consumers who trust that they can resolve post-purchase issues without inconvenience are more likely to remain loyal.

Return policies not only serve a functional role in customer service but also influence customers' post-purchase communication, especially in the form of positive word-of-mouth (WOM). According to Fang et al. (2020), well-designed and customer-oriented return policies can elicit positive emotional responses from buyers. These emotions are often

expressed through favorable WOM where customers voluntarily share their positive experiences with others. WOM has been identified as a powerful driver of brand perception and consumer trust, especially in digital marketplaces where peer reviews carry significant weight.

Similarly, Islam and Rahman (2021) emphasized that when customers perceive return policies to be fair, clear, and convenient, they are more likely to endorse the brand. Their study highlights that return policies act as a signal of the company's customer-first philosophy. As a result, satisfied consumers tend to recommend the platform to friends, family, and even online communities, leading to organic promotion that enhances brand visibility and customer acquisition.

However, the influence of return policies on WOM can also operate in reverse. According to Nguyen et al. (2023), dissatisfaction with return policies, such as unclear terms, delayed refunds, or unresponsive support, can fuel negative WOM, which may tarnish a platform's reputation. This dual nature of return policies means that they can serve both as a loyalty amplifier or a reputational risk, depending on how well they are managed.

Similarly, research by Sullivan and Davies (2022) found that customers who feel empowered by straightforward return policies are more likely to promote a retailer through positive word-of-mouth, leading to increased customer acquisition. In contrast, a frustrating return process can lead to negative reviews, harming both customer retention and brand image. This shows how crucial the role of return policies and processes is in maintaining a balance between customer loyalty and business growth in the competitive landscape of e-commerce.

Lysenko-Ryba and Zimon (2021) also noted that a smooth return experience is a key factor in preventing negative reviews and ensuring customer retention. A well-handled return experience reduces friction during post-purchase interactions, which is important in maintaining customer loyalty. This will make customers less likely to leave negative reviews and more likely to stick close to the brand.

Supporting these findings, Zhao et al. (2019) argued that satisfaction with service recovery processes, including returns and refunds, significantly boosts customer willingness to promote the brand. They found that customers who experienced smooth and fair return procedures were more likely to act as informal brand ambassadors. In contrast, those who had negative experiences often discouraged others from using the platform, thereby influencing purchasing behavior beyond their own.

Trust is another fundamental component in fostering long-term customer loyalty, especially in digital marketplaces where buyers cannot inspect products physically before purchase. According to Liu et al. (2020), transparent return policies significantly reduce perceived post-purchase risk, thereby increasing consumer confidence in e-commerce platforms. Customers are more likely to trust and continue

using platforms that offer protection through clear and fair return mechanisms.

Furthermore, Zhang et al. (2024) highlighted that return policies are part of broader platform governance systems that signal reliability and accountability to consumers. When return terms are well-defined and consistently enforced, they foster an environment where users feel safe transacting, knowing they have avenues for redress in case of dissatisfaction.

Rahman and Sultana (2023) delved into the psychological aspect of return policy clarity, stating that ambiguous or inconsistent return processes can erode consumer trust and introduce hesitancy in repeat purchases. However, they also noted that consistent and positive return experiences—where customers feel their concerns are addressed without excessive friction—can restore and even strengthen trust over time.

Wang and Lee (2019) reinforce this by asserting that return policies serve as a form of risk mitigation in digital commerce, acting as an assurance mechanism that offsets the inherent uncertainties of online shopping. For platforms like Shopee, where product inspection happens only after delivery, such policies become critical in shaping trust-based engagement.

Moreover, Martinez and Zhao (2024) argue that return policies that reflect genuine concern for customer satisfaction lead to deeper brand credibility. They suggest that customers are more likely to remain loyal and recommend the platform to others when they believe the company is committed to resolving post-purchase issues fairly.

With this, return policies are increasingly recognized as a strategic component of customer relationship management in e-commerce. Al-Adwan and Kokash (2019) emphasize that effective return policies play a crucial role in reducing the psychological costs associated with online shopping. These policies provide customers with a safety net, allowing them to make purchases with confidence knowing they can reverse the transaction if needed. This sense of security is essential for building long-term customer loyalty, especially in digital environments where physical product inspection is not possible.

In a study by Chen and Lin (2022), return policies that are clearly communicated and easy to implement were found to significantly increase customer trust and loyalty. When customers perceive a platform's return procedures as fair, simple, and efficient, they are more likely to continue patronizing the service. Conversely, Park and Kim (2023) found that overly restrictive or complex return procedures tend to result in frustration, dissatisfaction, and ultimately, customer churn. This suggests that the convenience and transparency of return policies are critical elements influencing customer retention.

Furthermore, Hsu et al. (2023) emphasized that return experiences, when handled positively, can serve as a competitive differentiator in a crowded marketplace. Their research argued that strategic return policies should not merely

aim to process refunds or exchanges but should also function as tools to demonstrate the company's commitment to customer satisfaction. Return processes that reinforce trust contribute to long-term loyalty and customer advocacy, particularly in e-commerce platforms where service quality significantly shapes brand reputation.

According to Wang and Chiu (2020), implementing flexible and customer-friendly return policies can greatly improve customer satisfaction and foster loyalty. Straightforward and hassle-free return processes help build trust and encourage repeat purchases, which are essential for the long-term success of businesses. Companies that prioritize well-defined return policies can stand out in a competitive market, leading to higher customer retention rates and positive word-of-mouth.

Flexible and customer-focused return policies enhance the shopping experience, reduce perceived risks, and increase customer satisfaction (Hossain et al., 2022). Effective return policies build consumer trust and loyalty. By implementing clear and fair return practices, e-commerce businesses can boost customer retention and satisfaction, proving that return policies are a strategic asset in the competitive online market.

In contrast, businesses that enforce strict return policies may inadvertently push customers away. Parker and Nunez (2023) found that rigid return policies often lead to negative customer experiences. Customers who have trouble returning products or encounter unclear return guidelines are more likely to abandon a retailer in favor of competitors who offer more lenient policies. It emphasized that the negative emotions tied to a difficult return process—frustration, disappointment, and regret—can significantly harm a retailer's reputation. To mitigate these negative emotions and maintain a positive brand image, a positive return experience is needed and can be achieved by implementing clear and customer-friendly return policies.

Moreover, research by Benton and Shapiro (2021) argued that a retailer's return policy serves as a safety net, giving customers the confidence to experiment with new products. This is especially relevant in industries where consumers may feel uncertain about product quality, such as fashion or electronics. It was found that when customers perceive return policies as generous, they are more likely to purchase items they wouldn't otherwise consider. With this, having lenient return policies could increase sales as it encourages experimentation and reduces the perceived risk of consumers. This is particularly beneficial for e-commerce businesses because selling products on a digital platform includes a high degree of uncertainty.

On the other side, Abdulla et al. (2021) found that a restrictive change to return policies can negatively impact the customers' willingness to purchase and discourage positive word-of-mouth to others even if they do not frequently return items. Therefore, businesses should be cautious when considering changes to their return policies. If changes are

necessary, they should be implemented gradually and communicated clearly to customers to minimize any negative impact on trust and loyalty.

Overall, businesses continuously optimize their return policies to strike a balance between profitability and customer satisfaction. Smith and Thomas (2023) suggested tracking return data to identify trends, improve product descriptions, and ultimately reduce the volume of returns without compromising customer service. They also highlighted the importance of clear, transparent policies to ensure that customers understand their options, which can minimize dissatisfaction and increase trust. Data-driven strategies can help customers make informed purchasing decisions that proactively reduce returns. Besides from it reduces the operational burden of managing returns, this approach also boosts customer trust, leading to increased satisfaction and loyalty.

Theoretical and Conceptual Framework

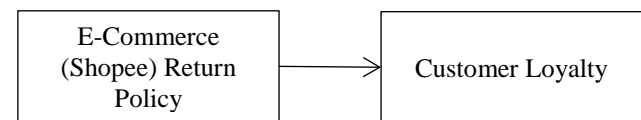


Fig. 1. Paradigm of the Study

Figure 1 illustrates the conceptual framework of this study based on the Independent Variable (IV)-Dependent Variable (DV) model. This framework visually represented the connection between E-commerce return policies (IV) and customer loyalty (DV), specifically in the context of Shopee Philippines. The study sought to assess how the return policy implemented by the e-commerce platform influence the loyalty of the customers.

Moreover, the theoretical foundation of this study was supported by Customer Experience Theory and Trust Theory. The Customer Experience Theory suggested that the totality of a customer's interactions with a brand, from purchase to after-sales service (including returns), directly impacts their satisfaction and loyalty (Lemon & Verhoef, 2019). On the other hand, Trust Theory highlighted the role of trust in fostering long-term relationship with customers (Gustafsson et al., 2020). These theories when merged emphasize that a positive customer experience combined with strong trust in the return policy results in higher customer loyalty (Nguyen et al., 2023). By offering a clear and fair return process, businesses offer transparency and reduce perceived risk, allowing customers to feel secure in their purchasing decisions. Trust is then built as customers perceive that the e-commerce platform will handle their returns transparently and fairly, fostering confidence in the platform (Ali & Anwar, 2021). This trust encourages them to engage more deeply with the brand. Additionally, a positive return experience, where the process is smooth and hassle-free, enhances the overall customer journey (Lemon & Verhoef, 2019). When customers encounter an issue, a responsive and hassle-free return process

can effectively resolve their concerns which reinforce their loyalty and increase the likelihood of return purchases as it demonstrates that the business values their satisfaction.

Ultimately, this study assessed Shopee's return policy from the perspective of the customers who have experienced their return process. Positive or negative experiences with these policies determine whether customers choose to maintain or discontinue their relationship with the platform. Through this framework, the e-commerce return policies and its effect on customer outcome such as loyalty was examined.

Statement of the Problem

This study aimed to investigate the effect of e-commerce return policies on customer loyalty among students of Mabalacat City College who have experienced returning items on Shopee. Specifically, this research sought to answer the following questions:

1. What are the common reasons for product returns among Shopee customers?
 - 1.1 Item was defective/damaged
 - 1.2 Incorrect item received
 - 1.3 Product not as advertised
 - 1.4 Size or fit issues
2. How do customers describe their return experience in Shopee in terms of:
 - 2.1 Ease of return
 - 2.2 Refund Process
 - 2.3 Flexibility and Conditions
 - 2.4 Return Timeframe
 - 2.5 Customer Support
3. What is the effect of Shopee's return policy in customer loyalty in terms of:
 - 3.1 Repurchase Intention
 - 3.2 Positive Word-of-Mouth
 - 3.3 Trust in the Platform
4. Is there a significant effect between e-commerce (Shopee) return policies and customer loyalty?

Hypothesis of the Study

- H0: There is no significant effect between e-commerce (Shopee) return policies and customer loyalty.
- H1: There is a significant effect between e-commerce (Shopee) return policies and customer loyalty.

Significance of the Study

The data collected from this study was intended to benefit the following:

To e-commerce businesses, this study was crucial for e-commerce businesses aiming to enhance customer loyalty in a competitive market. By analyzing how return policies influence customer relationships, it offered actionable insights for creating policies that satisfy customer expectations and encourage repeat purchases.

To supply chain and logistics professionals, this study shed light on the challenges of managing returns for supply chain and logistics professionals. By understanding the impact of return policies on customer loyalty, they can develop streamlined processes that can enhance operational efficiency.

To policy-makers and regulators, this research offered valuable insights into the importance of fair return practices in the e-commerce industry. By emphasizing consumer protection, this study can guide regulations that foster trust between shoppers and e-retailers. This focus on equitable practices not only protects consumers but also promotes a level playing field, allowing businesses of all sizes to compete fairly.

To academics and future researchers, this study filled a significant gap in e-commerce literature by examining the link between return policies and customer loyalty. These insights can inspire future research, encouraging scholars to explore related themes and deepen the understanding of consumer behavior in the digital marketplace.

Scope and Delimitation

This study mainly focuses on the e-commerce sector of the Philippines, with particular emphasis on the underlying connectivity between the return policies and the customer loyalty. The research was limited to students currently enrolled at Mabalacat City College (A.Y 2024-2025), who have prior experience with returning products purchased on Shopee to reflect local e-commerce trends and customer behavior. By narrowing the respondents to this specific group, the study gained relevant and focused insights into how young online shoppers perceive and react to Shopee's return policies.

The researchers, mainly focusing on return policy, also delimited the study to any other factors such as product pricing and delivery service which may influence customer loyalty in the field of e-commerce. It also did not include offline retail return policies. Additionally, this research was limited to the perceptions of the college students who are Shopee users with return experience and did not include the perspectives of the other e-commerce businesses.

3. METHODS

This study employed a descriptive-correlational quantitative research design to examine the effect of Shopee's return policies on customer loyalty. As described Brown and Park (2021), this design enables researchers to both describe patterns in customer return experiences and examine the strength and direction of relationships between return policy perceptions and loyalty behavior, particularly through correlational and regression analyses.

The study was conducted at Mabalacat City College in Pampanga, Philippines—an urbanizing area with growing digital penetration, making it suitable for e-commerce research (Philippine Statistics Authority, 2023). The target population consisted of students enrolled during Academic Year 2024–2025 who had previously returned products on Shopee.

To identify qualified respondents, the researchers used purposive-convenience sampling. According to Campbell et al. (2020), purposive sampling involves selecting individuals based on specific criteria—in this case, Shopee return experience. Convenience sampling, on the other hand, focuses on accessibility and availability of participants (NCSC, 2022). This combination ensured the inclusion of respondents with relevant knowledge and experience. From a total population of 3,947 students, the ideal sample size calculated via Raosoft’s sample size calculator was 356. However, the researchers aimed for a minimum of 100 respondents, which is considered adequate for correlation and regression analyses in quantitative research (Creswell & Creswell, 2020).

Instrument and Procedures

To gather data on customer return behavior and loyalty, the researchers used an adapted-modified questionnaire originally developed by Pham et al. (2024) in their study on return policies in B2C e-commerce in Vietnam. The revised instrument was divided into three parts: (1) common reasons for product returns on Shopee, (2) customer experiences with the return process, and (3) perceived impact of return policies on customer loyalty. These components were designed to directly address the research questions.

The questionnaire consisted of close-ended items rated on a four-point Likert scale: (4) Strongly Agree, (3) Agree, (2) Disagree, and (1) Strongly Disagree. This structure followed the recommendations of Anjaria (2022), who emphasized the Likert scale’s effectiveness in measuring attitudes and opinions. To reduce acquiescence bias and capture a more balanced view of customer sentiment, both positive and negative statements were included (Weijters et al., 2020).

To ensure content validity, the instrument underwent face validation by three experts—one psychometrician and two licensed customs brokers. A reliability test using Cronbach’s Alpha (α) was also conducted, with results showing that all items met the acceptable reliability threshold, confirming the questionnaire’s suitability for data collection.

Data collection was carried out through an online survey, distributed via student organizations, digital messaging platforms, and academic coordination within Mabalacat City College. Prior to answering the survey, participants were informed about the study’s objectives, voluntary participation, and confidentiality measures. Only students with documented return experiences on Shopee were included, ensuring alignment with the study’s inclusion criteria.

Data Processing and Statistical Treatment

• Frequency and Percentage Distribution

Frequency and percentage distribution were utilized to describe and summarize the respondents’ overall return experience and loyalty levels. According to Turney (2022), frequency distribution indicates how often different outcomes occur, while percentage distribution expresses this as a percentage of the total sample. This is commonly used in survey data analysis to represent the relative frequency of responses (Dean, 2022).

• Mean and Standard Deviation

For the four-point Likert scale option, the mean and standard deviation were calculated. The exclusion of the neutral option reduced ambiguity in responses, which clarified the strength of attitudes and eliminate tendencies of non-commitment among respondents, providing more accurate data for analysis (Garland, 2020).

As the questionnaire contained both positively and negatively worded items, negatively phrased items were reverse-scored during analysis to ensure consistency in interpretation. A high agreement on a negative item reflected dissatisfaction, while a low agreement indicated satisfaction (Ilieva et al., 2022).

• Linear Regression Analysis

To understand the significant effect between the e-commerce return policy and customer loyalty, a simple linear regression was utilized. This statistical measure enables the analysis of a linear relationship between an independent variable and a dependent variable (Wang & Chiu, 2020). In this study, it aimed to test whether customer experience with the return policy was a significant predictor of their likelihood to remain loyal to the platform. As part of this analysis, Analysis of Variance (ANOVA) was conducted to test the overall significance of the regression model.

4. RESULTS AND DISCUSSION

Table 1: Common Reasons for Product Returns

Reasons for Return		Frequency	Percentage	Rank
1.1	Item was defective/damaged	31	30.4%	2
1.2	Incorrect item received	36	35.3%	1
1.3	Product not as advertised	11	10.8%	4
1.4	Size or fit issues	24	23.5%	3
Total		102	100%	

Table 1 shows the common reasons for product returns among Shopee customers within the sample of 102 returns. It

reveals that receiving an incorrect item is the most frequently cited reason reported by 36 respondents or 35.3% of the sample. This suggests a potential issue in Shopee's order fulfillment processes wherein customers are not receiving their intended purchases. The second most reported reason is receiving defective or damaged items at 30.4%, highlighting concerns regarding product quality control. These align with the study of Singh and Dangmei (2022), emphasizing that fulfillment errors, such as sending the wrong item and damaged goods, are a leading cause of returns in e-commerce platforms. Size or fit issues ranked third with 23.5%, which, according to Gupta et al. (2023), is a common challenge in online apparel and footwear categories where variations in sizing and fit can lead to returns. Lastly, 10.8% of respondents returned products because they were not as advertised, indicating a discrepancy between the product information provided by sellers and the actual product received by the customer. This highlights a gap between product representation and customer expectations, which is an issue of customer trust (Santos & de la Cruz, 2021).

Overall, these findings identify the factors behind Shopee's product returns. Understanding these reasons is crucial as high return rates can affect operational costs and customer satisfaction, thereby impacting overall brand loyalty (Chen et al., 2020). Addressing these issues could significantly reduce return rates and enhance the overall customer experience on the platform.

Table 2: Return Experience in terms Ease of Process

	2.1 Ease of Process	Mean	SD	Verbal Interpretation	Rank
1	I found the return process on Shopee to be hassle-free.	2.93	.75	Agree	2
2	The return process on Shopee was straightforward.	3.01	.79	Agree	1
3	I found it difficult to initiate a return on Shopee.	2.85	.78	Agree	3
	Grand Mean	2.93		Agree	

Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

The data in Table 2 shows the respondents' return experience in Shopee in terms of Ease of Process. The highest-rated item was Statement 2, with a mean of 3.01, underscoring users mostly agreed that the return process was straightforward. This finding underscores the importance of clarity and simplicity in online return procedures, a factor

consistently identified as crucial for fostering positive customer experiences in the e-commerce landscape (Davis et al., 2021). Additionally, respondents also agreed with Statement 1 that the return process was hassle-free, scoring a favorable mean of 2.93, and further reinforcing the perceived convenience of initiating returns on the platform. Notably, respondents disagreed with the negative sentiment of Statement 3 regarding having difficulties in initiating a return, thus supporting the positive outlook on the ease of the process with a mean of 2.85. This confirms that most respondents do not perceive the return process as burdensome or confusing.

Overall, the grand mean of 2.93 corresponds to an "Agree" interpretation, suggesting a generally favorable customer experience regarding the ease of product returns on the platform. This aligns with the broader understanding that a simplified and user-friendly return system is instrumental in enhancing customer experience and building trust within the online marketplace (Ali & Haseeb, 2022). Moreover, research by Liu et al. (2021) emphasizes that a streamlined digital return process, characterized by clear and easily navigable steps, significantly contributes to positive post-purchase evaluations, which in turn can foster long-term customer loyalty within platforms like Shopee.

Table 3: Return Experience in terms of Refund Process

	2.2 Refund Process	Mean	SD	Verbal Interpretation	Rank
4	I was satisfied with the refund options provided by Shopee.	3.06	.74	Agree	1
5	Shopee offered sufficient compensation for returned products.	3.00	.74	Agree	2
6	The refund was processed within a reasonable timeframe.	2.87	.78	Agree	3
	Grand Mean	2.98		Agree	

Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

Table 3 presents the respondents' return experience in Shopee in terms of Refund Process. The highest-rated item, Statement 4, received a mean score of 3.06, indicating that

customers generally agreed that Shopee offers satisfactory refund options. This finding underscores the importance of providing varied and convenient refund mechanisms, which, according to Chen et al. (2021), play a pivotal role in enhancing overall customer satisfaction in the context of online returns. Similarly, respondents also agreed with Statement 5, affirming that Shopee offers sufficient compensation for returned items with a mean score of 3.00. Compensation, whether in the form of full refunds, vouchers, or replacements, is critical in fostering consumer trust and reinforcing positive brand-consumer relationships (Hossain et al., 2024). Lastly, respondents generally agreed with the timeliness of the refund processing, as reflected in the mean of 2.87 for Statement 6. As Rokonzaman et al. (2021) emphasized, timely processing of refunds is another key factor in mitigating post-purchase dissonance and fostering positive return experiences.

Overall, the grand mean of 2.98 showcases an “Agree” interpretation, indicating that respondents generally had a positive experience with the refund aspect of Shopee’s return policy. These findings suggest that customers generally acknowledge and appreciate Shopee’s efforts in providing a clear, fair, and timely refund process. As highlighted by Lee and Park (2021), a transparent and efficient refund process minimizes post-purchase anxiety and significantly influences customer retention within the e-commerce landscape.

Table 4: Return Experience in terms of Flexibility and Conditions

2.3 Flexibility and Conditions		Mean	SD	Verbal Interpretation	Rank
7	The conditions required to qualify for a return were reasonable and clearly explained.	3.09	.62	Agree	1
8	Shopee’s return policy allowed flexibility for returns	3.04	.66	Agree	2
9	The return policy felt too strict and limited my ability to return items.	2.82	.74	Agree	3
Grand Mean		2.98		Agree	

Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

Table 4 shows the respondents’ return experience in Shopee in terms of Flexibility and Conditions. The highest-rated item was Statement 7, with a mean of 3.09, where respondents agreed that the conditions required to qualify for a return were reasonable and clearly explained. This implies that Shopee provides clear and understandable return guidelines, which helps reduce customer confusion. According to Choi and Lee (2020), clarity in return policy requirements contributes significantly to trust and purchase confidence in e-commerce. This finding supports their view that well-communicated policies enhance the overall shopping experience. Statement 8 followed with a mean of 3.04, indicating agreement that Shopee’s return policy is flexible. Xu et al. (2021) similarly emphasized that customers tend to remain loyal when return policies are perceived as fair and accommodating. The lowest-rated item was Statement 9, with a mean of 2.82. However, this is a reverse-coded item, meaning respondents generally agreed that the return policy was flexible and supported their ability to return items, thus implying a positive sentiment.

Overall, the grand mean was 2.98, which is interpreted as “Agree.” The findings suggest that Shopee’s return conditions are fair, flexible, and transparent, supporting literature that highlights return policy flexibility as a key driver of customer satisfaction and repeat purchasing behavior (Wang & Chiu, 2020).

Table 5: Return Experience in terms of Return Timeframe

2.4 Return Timeframe		Mean	SD	Verbal Interpretation	Rank
10	The time it took Shopee to process my return was reasonable.	2.95	.69	Agree	3
11	The timeframe allowed for returning products was sufficient.	3.01	.74	Agree	1
12	The return timeframe was too restrictive.	2.99	.62	Agree	2
Grand Mean		2.98		Agree	

Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

Table 5 presents the respondents’ return experience in Shopee in terms of Return Timeframe. Statement 11 had the highest mean score of 3.01 where respondents agreed that

Shopee allows a sufficient timeframe for returns. This reflects positively on Shopee's return scheduling, contributing to an enhanced sense of control among customers. As noted by Chen et al. (2021), a clearly defined and generous return window reduces post-purchase stress and boosts buyer confidence. Statement 12 followed, with a mean of 2.99. After reverse-coding, this suggests agreement that the return timeframe is generous and accommodating, indicating a favorable customer perception. The lowest-rated item was Statement 10, with a mean of 2.95, showing agreement that the time it takes Shopee to process returns is reasonable. Efficient turnaround times are critical in reinforcing consumer trust, as emphasized by Kumar and Pansari (2019), who argued that prompt refunds contribute to a smooth and satisfying customer journey.

Overall, the grand mean was 2.98, or "Agree," suggesting that Shopee's return timeframe is well-received. These findings reflect the importance of timely and sufficient return windows in enhancing customer satisfaction and supporting loyalty (Rokonuzzaman et al., 2021).

Table 6: Return Experience in terms of Customer Support

2.5 Customer Support		Mean	SD	Verbal Interpretation	Rank
13	Shopee's customer service was responsive and helpful during the return process.	2.96	.70	Agree	2
14	I received adequate support from Shopee when resolving return-related concerns.	3.02	.73	Agree	1
15	I experienced difficulty contacting customer support regarding returns.	2.85	.72	Agree	3
Grand Mean		2.94		Agree	

Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

Table 6 illustrates the respondents' return experience in Shopee in terms of Customer Support. The highest-rated item was Statement 14, with a mean of 3.02, where respondents agreed that Shopee provides adequate support during return-related concerns. This shows that customer service is a key factor in making the return process smoother. Chang et al. (2020) asserted that responsive customer service is essential for building long-term trust and minimizing return-related frustration. Statement 13 followed with a mean of 2.96, suggesting that respondents generally agreed that support was responsive and helpful. Roggeveen and Sethuraman (2020) highlighted that proactive communication during the return process enhances satisfaction and contributes to positive word-of-mouth. The lowest-rated item was Statement 15, with a mean of 2.85. Since this is reverse-coded, it indicates agreement with the idea that customer's support is easy to contact regarding returns, implying that most customers found the support accessible.

The grand mean is 2.94, or "Agree," indicating that Shopee's customer service during the return process is perceived positively. This aligns with the findings of Xu et al. (2021), who noted that accessible and helpful return support leads to stronger brand loyalty and reduces negative post-purchase sentiment.

Table 7: Effect of Return Policy in Customer Loyalty in terms of Repurchase Intention

3.1 Repurchase Intention		Mean	SD	Verbal Interpretation	Rank
1	I am more likely to purchase from Shopee again due to its return policy.	2.99	.70	Agree	2
2	I feel more confident making future purchases in Shopee knowing I can easily return items if necessary.	3.13	.77	Agree	1
3	A complicated return experience reduces my likelihood of shopping on Shopee again.	2.74	.82	Agree	3

Grand Mean	2.95		Agree	
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Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

Table 7 shows the effect of Shopee's return policy on customer loyalty, specifically in terms of Repurchase Intention. The highest-rated item is Statement 2 with a mean of 3.13, where respondents agreed that they feel more confident making future purchases in Shopee, knowing that returns can be made easily. This highlights how accessible return processes significantly boost consumer confidence when shopping online. As noted by Kim and Johnson (2020), accessible and convenient return policies help reduce perceived risk, enhance shopping security, and increase customers' willingness to purchase online, leading to greater repurchase intentions. Statement 1, with a mean of 2.99, further supports the idea that customers are likely to shop again on Shopee due to its return policy. This aligns with the findings of Lin and Wang (2020), which demonstrated a significant positive relationship between favorable return policies and customer loyalty, as manifested in repeat purchase behavior. Furthermore, Statement 3, which is negatively worded, received a mean of 2.74, and is still falling within the "Agree" category. This implies that customers acknowledge that complicated return experiences can hinder their intent to repurchase, reaffirming the importance of maintaining simple and efficient return mechanisms. Rahman et al. (2022) support this by asserting that negative return experiences often lead to decreased customer satisfaction and a lower likelihood of future purchases.

The overall grand mean of 2.95, categorized as "Agree," signifies that respondents generally perceive Shopee's return policy to have a positive impact on their repurchase behavior. According to Wang et al. (2019), shoppers are more likely to purchase from an online store if the return policy is flexible and convenient. Therefore, the customer who feels that the return policy of an online store is fair and simple shows a higher level of confidence and satisfaction with the shopping experience and a higher intention of repurchase.

Table 8: Effect of Return Policy in Customer Loyalty in terms of Positive Word-of-Mouth

	3.2 Positive Word-of-Mouth	Mean	S D	Verbal Interpretation	Rank
4	I have recommended Shopee to friends and family because of its return policy.	2.87	.68	Agree	2

5	The return policy positively influences how I talk about Shopee to others.	2.95	.69	Agree	1
6	A dissatisfaction with Shopee's return policy would push me to discourage others from shopping on the platform.	2.73	.75	Agree	3
Grand Mean		2.85		Agree	

Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

Table 8 presents the effect of Shopee's return policy on customer loyalty, specifically in terms of Positive Word-of-Mouth (WOM). Statement 5 recorded the highest mean of 2.95, indicating agreement that Shopee's return policy positively influences how respondents talk about the platform. This suggests that a positive return policy experience encourages customers to engage in positive WOM regarding Shopee. According to Fang et al. (2020), a well-structured and customer-friendly return policy can trigger positive emotional responses, which customers often express through favorable WOM, significantly impacting brand perception. Statement 4 followed closely with a mean of 2.87, showing that many respondents have recommended Shopee to friends and family due to its return policy. This is consistent with the findings of Islam and Rahman (2021) that when customers perceive return policies as fair and convenient, they are more inclined to endorse the brand, thus contributing to organic promotion within their social networks. Lastly, Statement 6, a negatively-phrased item, yielded a mean of 2.73, still showing agreement and implying that satisfaction with Shopee's return policy would encourage them to recommend the platform to others. This finding emphasizes the dual nature of return policies: while favorable policies can drive positive WOM, poor experiences can inversely fuel negative publicity, which can damage brand reputation (Nguyen et al., 2023).

The overall grand mean of 2.85, interpreted as "Agree," reflects that respondents generally perceive Shopee's return policy as a contributor to positive word-of-mouth. This aligns with the research of Zhao et al. (2019), who emphasized that satisfaction with service recovery and return mechanisms not only fosters customer trust but also increases their willingness to promote the platform within their social circles. Customers are more likely to recommend Shopee if they have a good return experience, thereby highlighting the crucial role

that return policies play in shaping customers' post-purchase communication behavior.

Table 9: Effect of Return Policy in Customer Loyalty in terms of Trust in the Platform

3.3 Trust in the Platform		Mean	SD	Verbal Interpretation	Rank
7	Compared to other e-commerce platforms, Shopee's return policy makes it a more trustworthy platform.	2.99	.64	Agree	2
8	Shopee's return policy reassures me that my purchases are protected.	3.08	.62	Agree	1
9	I am hesitant to shop on Shopee because I am unsure about its return policy.	2.94	.72	Agree	3
Grand Mean		3.00		Agree	

Legend: 1.00 – 1.75 = Strongly Disagree; 1.76 – 2.50 = Disagree; 2.51 – 3.25 = Agree; 3.26 – 4.00 = Strongly Agree

Table 9 highlights the effect of Shopee's return policy on customer loyalty, specifically in terms of Trust in the Platform. Statement 8 got the highest mean of 3.08, which means that most respondents agree that Shopee's return policy reassures them that their purchases are protected. This aligns with the findings of Liu et al. (2020), who emphasized that transparent return policies significantly reduce customers' perceived post-purchase risk, leading to increased confidence in online transactions. Statement 7 follows with a mean of 2.99, indicating that respondents believe Shopee is more trustworthy compared to other online shopping sites because of their return policy. This comparative advantage in return policy can be a significant differentiator, as highlighted by Zhang et al. (2024), who noted the importance of platform governance mechanisms, including return policies, in fostering consumer trust. Notably, the agreement with Statement 9, a reverse-coded statement, further reinforces the positive impact of the return policy on trust, scoring a mean of 2.94. The agreement here implies that a lack of clarity or confidence in the return policy would lead to hesitancy in shopping on Shopee. As

Rahman and Sultana (2023) emphasized, ambiguity in return processes can hinder trust, but consistent positive return experiences help to overcome such doubts over time.

Overall, the grand mean of 3.00 reflects an "Agree" interpretation, which shows a general positive association between Shopee's return policy and the level of trust customers place in the platform. According to Wang and Lee (2019), return policies act as a form of risk mitigation, contributing significantly to platform trust, especially in digital commerce where physical product evaluation isn't possible before purchase. Moreover, platforms that prioritize customer trust through effective return mechanisms are more likely to foster long-term loyalty and repeated engagement (Martinez & Zhao, 2024). This is because a trustworthy return policy communicates that the platform values customer satisfaction and is willing to rectify issues, which strengthens brand credibility.

Table 10: Significant Effect between E-Commerce Return Policies and Customer Loyalty

Statistical Test	Value	Significance (p-value)	Interpretation
ANOVA (f-value)	254.115	.000	Significant effect exists between variables
Regression (t-value)	15.941	.000	Return policy significantly predicts customer loyalty
Regression Coefficient (B)	0.803		Every unit increase in return policy increases loyalty by 0.803 units

**Significant at .05 level ($p < .05$); P-value = level of significance ($p < .05$ = significant; $p > .05$ = not significant)*

Table 10 shows the significant effect between e-commerce (Shopee) return policies and customer loyalty. The ANOVA test result reveals a high F-value of 254.115, showing that there is a considerable difference in customer loyalty that can be attributed to Shopee's return policies. The P-value of .000, which is below the standard significance level of 0.05, further indicates that there is a statistically significant effect between return policies and customer loyalty. Therefore, the null hypothesis (H0) stating that there is no significant effect is rejected, and the alternative hypothesis (H1) is accepted, confirming a significant effect exists. This implies that variations in return policies have a statistically significant impact on the level of customer loyalty.

Further support is found in the Regression Analysis where the t-value is 15.941, with a corresponding p-value of .000. The positive sign indicates a direct correlation: as the

perceived favorability or comprehensiveness of Shopee's return policy increases, customer loyalty tends to increase as well. The magnitude of the coefficient (0.803) suggests the extent of this impact. For every one-unit increase in the measured quality or favorability of Shopee's return policy, customer loyalty is predicted to increase by 0.803 units.

This finding is consistent with studies that highlight the critical role return policies play in shaping consumer behavior. According to Al-Adwan and Kokash (2019), return policies significantly influence customer satisfaction and loyalty by reducing the psychological cost of online purchasing. Consumers tend to feel more secure when they know they have the option to reverse their transaction if dissatisfied, which encourages them to stay loyal to the platform that provides that safety net. Chen and Lin (2022) also found that customers are more likely to develop loyalty toward platforms with return policies that are easy to understand and implement as these policies alleviate the anxiety commonly associated with online shopping. Conversely, restrictive or inconvenient return processes can lead to customer dissatisfaction and decreased loyalty (Park & Kim, 2023). On the other hand, positive return experiences can serve as a differentiating factor in a saturated e-commerce market. In this context, Hsu et al. (2023) argue that strategically designed return policies not only address potential customer dissatisfaction but also actively contribute to long-term loyalty by reinforcing the platform's commitment to customer care. Thus, the significant effect identified underscores the importance of well-designed and implemented return policies as a strategic tool for building and maintaining customer loyalty in the e-commerce environment.

Summary of Findings

1. Common Reasons for Product Returns among Shopee Customers

The results showed that the most common reason for product returns among Shopee customers was receiving an incorrect item. This was followed closely by returns due to defective or damaged items, and then by size or fit issues, which also contributed significantly. Meanwhile, the least common reason for return was receiving products that were not as advertised. These indicate that issues related to order accuracy, product quality, sizing, and product description are the key areas contributing to return behavior on the platform.

2. Return Experience in Shopee

2.1. Ease of Return: Findings revealed that respondents generally agreed that the return process was straightforward, hassle-free, and easy to initiate. Overall, this indicates that the platform offers a user-friendly and accessible return process, contributing to customer convenience and satisfaction.

2.2. Refund Process: The results showed that most respondents were satisfied with the refund process. Respondents agreed that refund options were sufficient, compensation was reasonable, and the processing time was

acceptable. These reflect Shopee's efficiency and reliability in managing post-return transactions.

2.3. Flexibility and Conditions: Respondents perceived Shopee's return conditions as reasonably and clearly explained, as well as flexible. Results also revealed that respondents agreed that they did not find the policy too strict and over-limiting their ability to return. This indicates that the platform's return conditions are generally viewed as clear, fair, and accommodating to customer needs.

2.4. Return Timeframe: The findings indicated customer satisfaction with Shopee's return timeframe. Respondents agreed that they were given sufficient time to return items and that the overall processing duration was reasonable. Notably, most disagreed with the notion that the return timeframe was too restrictive, reflecting a positive perception of the platform's return timeline.

2.5. Customer Support: The results revealed that Shopee's customer support during the return process was positively received. Respondents agreed that they received adequate assistance and that support was responsive and helpful. Moreover, respondents agreed that they did not experience difficulty contacting customer service, indicating the platform's well-functioning support system that enhances the customer experience during returns.

3. Effect of Return Policy on Customer Loyalty

3.1. Repurchase Intention: The findings indicated that Shopee's return policy positively influences customers' repurchase intention. Respondents agreed that knowing they could return items easily made them more confident in making future purchases and that they are more likely to shop again on Shopee due to its return policy. Conversely, they agreed that a complicated return experience would reduce their likelihood of shopping on the platform again. These suggest that an accessible and seamless return process increases customer confidence and encourages repeat purchases by reducing the perceived risk of online shopping.

3.2. Positive Word-of-Mouth: Findings revealed that the return policy fostered positive word-of-mouth about Shopee. Respondents agreed that the return policy influences how they talk about Shopee and that they have recommended the platform to others because of it. On the contrary, they agreed that a dissatisfaction with the policy would discourage them from such recommendations, showing that poor return experiences can negatively impact Shopee's reputation. These highlight that a favorable return policy plays a key role in generating customer advocacy and organic brand promotion.

3.3. Trust in the Platform: The findings showed that Shopee's return policy builds trust in the platform. Respondents agreed that the return policy reassures them that their purchases are protected and that it makes Shopee more trustworthy compared to other platforms. They also agreed that uncertainty about the return policy could lead to shopping

hesitation. These suggest that a reliable return policy reduces perceived risk and strengthens customer trust in Shopee.

4. The Significant Effect between (Shopee) Return Policies and Customer Loyalty

The results revealed a statistically significant effect between Shopee's return policies and customer loyalty. The regression analysis led to the rejection of the null hypothesis and the acceptance of the alternative hypothesis, indicating that improvements in the return policies are associated with increased customer loyalty. Additionally, the regression analysis demonstrated that enhancements in the perceived quality of the return policy are expected to lead to a notable increase in customer loyalty. These results underscore that there is a strong and meaningful connection between effective return policies and building loyalty among customers.

Conclusions

1. The study revealed that the most common reason for product returns among Shopee customers was receiving incorrect items. This was followed by defective or damaged products, size or fit issues, and product misrepresentation. It can be concluded that the primary drivers of returns are rooted in fulfillment errors, quality control issues, and inaccuracy of product listings. This highlights the important areas where operational and seller-side improvements are necessary.
2. The findings show that Shopee has successfully created a return process that is easy to use and free of complications, making the overall shopping experience smoother and more satisfying. Customers are also satisfied with the refund process, seeing it as fair in terms of options, compensation, and processing time. Shopee's return policy is viewed as flexible and reasonable, which builds customer confidence and makes them more willing to return items when needed. The return timeframe is considered sufficient and appropriate, helping to ensure a smooth return experience. Additionally, customer support plays a key role, with users reporting that assistance during the return process is helpful and responsive—an important factor in resolving issues and maintaining satisfaction. These aspects collectively contributed to a positive return experience, highlighting that return policies are not only logistical tools but also key touchpoints in customer experience management.
3. The study concludes that Shopee's return policy strongly supports customer loyalty by encouraging repeat purchases, positive word-of-mouth, and trust in the platform. Knowing that returns are easy and secure makes customers feel more confident about shopping again. Satisfied customers are also more likely to recommend Shopee to others, helping to build a positive brand image. On the other hand, negative return experiences can hurt the platform's reputation and discourage referrals. Most importantly, Shopee's clear and dependable return policy gives customers peace of mind, strengthening trust and encouraging them to continue shopping on the platform. These reinforce that return

policies serve as a strategic driver of customer loyalty by not only resolving transactional concerns but also by establishing credibility, reducing anxiety, and reinforcing the consumer's trust in the platform.

4. The statistical analysis confirmed a significant effect of Shopee's return policies on customer loyalty, demonstrating a strong relationship between effective return policies and customer loyalty. Improvements in the return policy translate to increased customer retention and trust. The strong effect size emphasizes the strategic importance of maintaining effective, fair, and transparent return policies as a driver of long-term customer loyalty in the e-commerce sector.

Recommendations

1. E-commerce businesses like Shopee are recommended to treat return policies not just as an operational necessity but as a strategic tool for building loyalty. To address common reasons for returns, businesses should implement enhanced product verification protocols, including barcode scanning, pre-shipment quality inspections, and seller photo confirmation before dispatch. Additionally, businesses should simplify the return process through user-friendly features such as one-click return options, in-app refund tracking, and automated updates. Tailoring return windows based on product types and clearly displaying return policies on product listings can also help manage customer expectations and reduce disputes. Finally, businesses should establish regular feedback loops, like post-return surveys or customer service data analysis, to review and refine their return policies, ensuring they remain relevant, fair, and responsive to customer needs.
2. Supply chain and logistics stakeholders play a vital role in minimizing returns and optimizing the return experience. To reduce return rates caused by damage or mismanagement, they are recommended to implement stricter inventory handling and product packaging standards during warehousing and delivery. Reverse logistics systems should be integrated with forward logistics operations to enable seamless return handling, including automated return label generation, real-time return tracking, and dedicated return collection hubs. Moreover, employing data analytics to identify recurring return patterns is also recommended to guide improvements in packaging, shipping methods, and warehousing protocols.
3. Given the study's findings on the influence of return policies on consumer trust, policymakers and regulators are advised to develop standardized regulations governing e-commerce return practices. This includes mandating transparency in return terms, establishing a minimum return period, and ensuring that refund and compensation timelines are fair and consistent. Monitoring mechanisms should also be created to verify platform compliance with these standards. Furthermore, consumer education campaigns—such as information drives on return rights, redress mechanisms,

and digital consumer protection—are equally essential. Collaborative efforts between stakeholders should be initiated to develop industry best practices that uphold consumer protection without overburdening businesses, ensuring a level playing field and sustainable e-commerce growth.

4. Academics and future researchers are recommended to expand the exploration of return policies by examining their long-term effects on customer loyalty across diverse platforms, industries, and demographic groups. Comparative studies, as well as longitudinal studies with larger sample sizes, can offer deeper insights into evolving consumer expectations. In addition, investigations into the ethical and environmental implications of return practices—such as return fraud and sustainability concerns—can provide further contributions to the development of responsible, effective, and sustainable return management strategies in the e-commerce sector.

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