

To Stay or To Switch: How Returns Channel Choice Influences Customer Satisfaction

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Retailers increasingly offer more ways for customers to shop and interact through different channels. We analyze how delivery performance and returns convenience, as critical aspects of retailer service offerings, relate to customer satisfaction, and ultimately loyalty and positive word of mouth intentions. We also examine the influence of a customer's returns channel choice on customer satisfaction. Empirical survey data was analyzed to test the relationships of interest. Post hoc qualitative analysis of open-ended data was performed for a more robust understanding of the findings. Results support that there is a positive effect of purchase and returns experience on satisfaction and ultimately loyalty and positive word of mouth, as well as a moderating effect of returns channel choice on the relationship between delivery performance and satisfaction. The research extends previous work on customer returns and satisfaction through a focus on the differences between customer segments based on returns channel choice.

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I. INTRODUCTION

Customers expect to be able to shop with retailers when, where, and how they desire (Murfield *et al.*, 2017). To accommodate customer demand for flexibility, retailers are increasingly providing omni-channel service offerings, which allow customers to interact with them across multiple channels (e.g., online, brick-and-mortar). In addition to omni-channel service offerings for purchases, a growing number of retailers are also developing omni-channel service offerings for returns. Omni-channel returns are retail service offerings that allow customers to return product through either a brick-and-mortar store or through an online channel, regardless of where the product was purchased (Akturk, Ketzenberg and Heim, 2018). When omni-channel returns are offered, customers might choose to stay in the same channel for purchase and return (i.e., buy in-

store, return to the store), or might choose to switch channels and purchase via one channel (e.g., online) and return via a different channel (e.g., brick-and-mortar).

As return rates continue to rise, retailers have put greater focus on developing returns policies and procedures and understanding the influence of returns on customers. A key contributor to the growth of returns has been the growth of online sales. Online sales grew by 50% during the Covid-19 pandemic (Goldberg, 2022) and they are expected to grow by another 50% through 2025 (Chevalier, 2022). This explosion in online sales is a significant driver of return rates, since returns from online sales tend to be almost double the rates of brick-and-mortar store returns (National Retail Federation and Appriss Retail, 2020). There is also support that returns can influence decisions on where customers choose to shop (Janakiraman, Syrdal

and Freling, 2016; Rao *et al.*, 2018), making a focus on returns even more crucial.

Researchers have examined how aspects of the purchase experience, including delivery performance, affect customer behavior and perceptions (Griffis *et al.*, 2012; Lewis, 2006; Rao, Griffis, and Goldsby, 2011). There have also been examinations of how returns convenience relates to customer outcomes (Berry, Seiders and Grewal, 2002). We extend previous work that examined how aspects of the purchase and returns experience affect customer outcomes by first grounding the effects of these relationships in service dominant logic (S-D Logic). S-D logic suggests that as firms enhance customer value, this is expected to correlate with positive customer outcomes (Flint, Blocker and Boutin Jr., 2011). Additionally, we extend previous research by introducing the moderating effect of returns channel choice. We aim to answer the research question: Does a customer's returns channel choice affect how the retailing experience relates to customer outcomes. We consider that for different customer segments, that there may be differences in the influence of the purchase and returns experience on customer outcomes.

There has been tremendous focus on consumer channel choice for purchases with limited attention given to returns channel choice (Xu and Jackson, 2019). The limited research on returns channel choice has considered the factors that influence channel choice for omni-channel returns (Xu and Jackson 2019). We broaden the understanding of returns channel choice by performing survey research to explore the influence of returns channel choice. We find support for a significant moderating effect of returns channel choice on the relationship between delivery performance and satisfaction, but not on the relationship between returns convenience and satisfaction.

We provide a contribution through clarifying the boundary conditions of the focal relationships (Makadok, Burton and Barney, 2018) enhancing knowledge by expanding the

precision in understanding these relationships (Ylikoski and Kuorikoski, 2010). A theoretical contribution is also made such that our findings can be applied to other contexts sharing similar conditions (Makadok, Burton and Barney, 2018), such as other retailer service offering scenarios. We expect that for other retailer service offering scenarios that the effects of aspects of the purchase and returns experience on customer outcomes would result in similar outcomes.

We perform a post hoc analysis that aligns with previous research on the drivers of returns channel choice (Xu and Jackson, 2019), with support for key reasons relating to minimizing hassle, minimizing costs, or the desire of a customer to align purchase and returns channel, and contributes through providing a more robust understanding of the drivers of returns channel choice.

Growing investment in omni-channel service offerings makes it critical for retailers to understand the aspects of the retailing experience that customers value. The results of this research support a greater understanding of these effects and highlights that retailers need to recognize that different customer segments do not necessarily value the same things. This should be considered when developing omni-channel service offerings with the goal of enhancing value for customers.

In the next section, we provide an overview of S-D Logic as the theoretical basis for our proposed framework. We then present background on omni-channel returns offerings, as well as returns channel choice, noting a gap in the literature. This is followed by hypotheses and conceptual development, research methodology, results and discussion. Finally, implications, future research, and conclusions are presented.

II. BACKGROUND

2.1. Service Dominant Logic

The theoretical basis for this research is S-D logic. Prior to S-D logic, the primary marketing philosophy was based on the exchange of tangible goods. Under S-D logic there has been a shift to integrate goods and services as part of an exchange (Lusch and Vargo, 2006). Therefore, S-D logic can be applied to marketing offerings that involve tangible goods within the process of a service offering (Lusch and Vargo, 2006). S-D logic is relevant for many aspects of the retailing experience since there is typically an exchange of goods between the retailer and consumer, along with the intangible aspects of the retailing experience, including service attributes related to a purchase (i.e., delivery offerings). S-D logic also applies to retail returns, as there is an exchange from the consumer back to the retailer along with the service provided by the retailer to facilitate the return.

Two critical aspects of retailer service offerings for purchases and returns are delivery performance (Griffis *et al.*, 2012) and returns convenience (Berry, Seiders and Grewal, 2002). Delivery performance is defined as the consumer's perception of the speed and on-time performance of a retailer's forward delivery service (Griffis *et al.*, 2012), while returns convenience is a measure of a consumer's perception of retailer performance related to time and effort expended during the returns process (Berry, Seiders and Grewal, 2002). Delivery performance and returns convenience are valued by the consumer and should be embedded in the service offerings of a retailing experience.

Customer satisfaction is a measure of how well a retailing experience meets customer needs, and is defined as a cumulative evaluation of satisfaction based on experience with a firm over time (Homburg, Koschate and Hoyer, 2005; Seiders *et al.*, 2005). Additionally, there are likely to be long term implications of service as a consumer's needs are met, such as customer loyalty and positive word of mouth (WOM) intentions. Customer loyalty is defined as a

consumer's favorable attitude toward a retailer that results in repeat buying behavior (Srinivasan, Anderson and Ponnarolu, 2002). Positive WOM is defined as the strength of intentions that a consumer will convey positive information about a firm to others (Ferguson, Paulin and Bergeron, 2010). S-D logic supports that as retailers enhance consumer value, this is expected to correlate with positive customer outcomes, including increased satisfaction and loyalty (Flint, Blocker and Boutin Jr., 2011). Retailer investment in omni-channel service offerings should involve a consideration for creating value for customers. Our research is motivated by furthering the understanding of how different customer segments may place differing value on the product and service components of omni-channel service offerings. Considering the motivation of our study, we provide a review of omni-channel returns and returns channel choice, along with gaps in the literature.

2.2. Omni-Channel Returns

Online retailing has experienced tremendous growth in recent years. Global online sales are expected to reach \$7.4 trillion by 2025 (Chevalier, 2022). The growth of online sales has led to greater returns as online sales tend to result in almost double the rates of brick-and-mortar store returns (National Retail Federation and Appriss Retail, 2020). Purchasing online makes it challenging for customers to fully assess products prior to purchase, increasing purchasing uncertainty, and therefore leading to greater returns (Bernon, Cullen and Gorst, 2016).

Returns can be a differentiator in where customers choose to shop and retailers with omni-channel capabilities often provide multiple options for customers to choose from when returning product. Customers that purchase in-store will likely only have the option to return to store, alternatively customers that purchase online typically have multiple

options to choose from when returning product, including the choice to return through the online channel or to the brick-and-mortar store. We next consider the operational aspects of the two alternative returns service offerings for customers that purchase online.

2.3. Buy Online / Return Online

Some customers value the option to interact with retailers online and to manage returns processing through the retailer's online channel. When customers process returns online, they typically initiate a return through the retailer's website, indicating the desire to return a particular product, along with the reason for the return. If the return meets a retailer's returns criteria, the customer will be provided with a shipping label which can be affixed to the shipping carton for the return after the product is packaged to be shipped back to the retailer. The customer must typically wait to receive their refund until the retailer has received, approved, and systemically processed the return.

2.4 Buy Online / Return to Store

A growing number of retailers are providing more omni-channel offerings, including buy online, return to store (Akturk, Ketzenberg and Heim, 2018) to enhance the customer retailing experiences. When a customer returns product that was purchased online to the local retail store, the store associate looks up the order information to process the return. If the return meets a retailer's returns criteria, the store associate will process the return transaction and the customer's refund.

Retailers that allow for online purchases to be returned in-store must integrate online and brick-and-mortar returns channels (Jones *et al.*, 2022). A lack of integration across channels can lead to problems with inventory synchronization, which is especially challenging when retailers offer a wider

assortment of products online than in-store (Emrich, Paul and Rudolph, 2015), since a customer might choose to return an item to the local store that is only included in the online assortment. Sophisticated inventory management systems are needed to maintain inventory accuracy when there are differences across channel assortments (Harrington, 2017).

Retail store associates are often faced with processing returns that were purchased online, and there are often different processes for handling returns for different channels, requiring that store employees be trained on how to process returns that were purchased both in-store and online. In some cases, there may even be different systems needed to process returns purchased in different channels. Store associates need to know how to determine the disposition of the returned items and initiate the process of getting returned product to the appropriate location. Return to store services are challenging for retailers who struggle to staff front-line positions. The increase in handling by store personnel results in greater costs and more complexity (Harrington, 2017).

Though, the costs for in-store returns may be greater for retailers, allowing customers to return online purchases in-store, allows customers to avoid paying for return shipping while also being reimbursed more quickly, often immediately (Mahar *et al.*, 2014; Mahar and Wright, 2017). Returning product to the store may be more convenient and considered less of a hassle because customers avoid having to pack the product for return (Hübner, Holzapfel and Kuhn, 2016; Ofek, Katona and Sarvary, 2011). When returning in-store, the customer may exchange rather than return the item or may select an alternative product, potentially increasing satisfaction and net sales (Hübner, Holzapfel and Kuhn, 2016). Further, if the return is damaged, an in-store exchange may be cheaper to process than delivering a replacement item to the customer's home. In a recent survey, more than one third of consumers indicated they are more likely to purchase

online if given the option of returning product to the local store (DC Velocity Staff, 2016). Therefore, retailers can enhance value for a segment of their consumers by providing the option of omni-channel returns.

With multiple options for customers to return products purchased online it is important for retailers to understand customer channel choice for returns.

2.5 Returns Channel Choice

In previous research, there has been tremendous attention to the drivers of consumer choice regarding purchasing channel. Recent research has examined how cognitive decision-making algorithms and data-driven machine learning relates to consumer decisions such as channel choice (Andronie *et al.*, 2021; Kliestik, Kovalova and Lăzăroiu, 2022; Kliestik, Zvarikova, K. Lăzăroiu, 2022). It is suggested that the use of chatbot apps and software can influence customer decision making and purchase intentions due to an enhanced customer experience (Kliestik, Kovalova and Lăzăroiu, 2022). When customers perceive that a shopping experience is personalized, this relates to greater value for the customer when considering perceptions of trust and risk (Kliestik, Kovalova and Lăzăroiu, 2022). Previous research suggests that the choice of customers to shop via mobile app or computer affects returns rates, based on the accuracy of purchase decisions (Andronie *et al.*, 2021; Seeger *et al.* 2019). It is also suggested that customer perceptions of risk and trust in the retailing experience will influence customer choice to shop online (Andronie *et al.*, 2021).

Though, there has been great focus in previous research on channel choice for purchase, there has been limited focus on channel choice for consumer returns. Xu and Jackson (2019) studied returns channel choice and considered factors that influence a customers perceived risk of returning through a particular channel, and how perceived risk

influences channel choice. Their results suggest that a perception of greater risk related to using a particular returns channel relates to a lower likelihood of choosing that channel for returns (Xu and Jackson, 2019). Additionally, support was found that some customers prefer to shop and return through the same channel, as well as support that monetary costs and perceived hassle were factors in returns customer choice (Xu and Jackson, 2019). Beyond the limited focus on drivers of returns channel choice, there is a gap in understanding this concept. We extend the understanding of returns channel choice through our examination of the moderating effects of returns channel choice.

The current paper aims to answer the research question: Does a customer's returns channel choice affect how the retailing experience relates to customer satisfaction and behavior. Specific research hypotheses are described below.

III. RESEARCH HYPOTHESES AND CONCEPTUAL MODEL DEVELOPMENT

3.1. Delivery Performance and Customer Satisfaction

When a consumer makes a purchase online, one of the most visible aspects of the fulfillment of their order is delivery performance. Consumers can easily determine if delivery performance meets their expectations for how quickly the order will be received (Griffis *et al.*, 2012). Researchers have examined how aspects of order fulfillment affect customer behavior and perceptions (Griffis *et al.*, 2012; Lewis, 2006; Rao, Griffis, and Goldsby, 2011), finding support that faster order fulfillment relates to greater satisfaction. We suggest that S-D logic is the theoretical basis for the relationship between order fulfillment and satisfaction, due to the enhanced value that customers perceive through these service offerings.

We consider how delivery performance relates to customer satisfaction. We specifically examine customer satisfaction as a global measure of satisfaction, therefore based on customer perceptions of a collection of interactions with a retailer. S-D Logic suggests that a retailer can expect positive customer outcomes when efforts are made to enhance value for the consumer (Flint, Blocker and Boutin Jr., 2011). When a retailer provides fast and on-time delivery performance, this should result in enhanced value for the consumer.

Therefore, we propose that:

H1: Delivery Performance is positively related to Customer Satisfaction.

3.2. Returns Convenience and Customer Satisfaction

Online shoppers pay great attention to the convenience of the retail experience (Reichheld and Schefter, 2000). Colwell *et al.* (2008) found evidence that service convenience is a predictor of overall satisfaction. In addition to general service convenience, returns related convenience also matters to consumers as a factor of importance when deciding where to shop (JDA, 2015). Berry, Seiders and Grewal (2002) suggest that consumers prefer a retailing experience where there is no need to return product, but when the need arises, a consumer will be more satisfied with a returns experience that is convenient. We suggest that the relationship between convenience and positive customer outcomes, has a basis in S-D logic such that the perceived value of convenience relates to positive outcomes. Previous research supports that satisfaction is evaluated based on price, performance, and expectations (Voss, Parasuraman and Grewal, 1998), and, in the current study, we examine returns convenience as a consumer's assessment of the performance related to a product return. Thus, a relationship is expected between returns convenience and satisfaction. When a retailing experience is convenient this saves the consumer time,

enhancing value for the consumer (Devaraj, Fan, and Kohli, 2002). Based on S-D Logic, this enhanced value is expected to relate to positive outcomes such as increased satisfaction (Flint, Blocker and Boutin Jr., 2011). Therefore, it is posited that:

H2: Returns Convenience is positively related to Customer Satisfaction.

3.3 Customer Satisfaction and Loyalty

Customer loyalty is defined as a long-term commitment to repurchase from a selling firm (Stank, Goldsby, and Vickery, 1999). Online retailing makes it easy, with limited effort and cost, for consumers to evaluate and choose between retailers for their purchases (Srinivasan, Anderson and Ponnayolu, 2002). Thus, it is essential for retailers to focus on enhancing customer loyalty; otherwise, consumers might move onto the next retailer. There has been evidence in literature of a relationship between customer satisfaction and loyalty (Daugherty, Stank and Ellinger, 1998; Innis and La Londe, 1994; Stank, Goldsby, and Vickery, 1999). In a personal products context, Daugherty, Stank and Ellinger (1998) examined how retail purchasing agents' satisfaction with product vendors related to loyalty, with evidence found for a positive relationship. Then, considering the fast-food industry, Stank, Goldsby, and Vickery (1999) examined relationships between fast food restaurants and distributors and found support for the effect of satisfaction on loyalty.

A consumer is satisfied when their needs or expectations are met (Oliver, 1977) and when expectations are met the customer will likely want to continue to purchase from the retailer in the future. Consumers are likely to value a retailing experience that meets their expectations and that results in their satisfaction. Considering S-D logic and the value a consumer places on a satisfying experience, it is expected that customer

satisfaction will relate positively to customer outcomes, such as customer loyalty.

Therefore, it is posited that:

H3: *Customer Satisfaction is positively related to Customer Loyalty.*

3.4 Customer Satisfaction and Positive WOM Intentions

We also investigate how customer satisfaction relates to positive WOM intentions. WOM is considered a credible communication source due to its informal and interpersonal nature (Harrison-Walker, 2001). With the growth of ecommerce, and the internet as a medium, the sharing of WOM is facilitated, making it more impactful (Kwak *et al.*, 2008). WOM can be either positive or negative. Both types are important and are typically associated with extreme satisfaction or dissatisfaction (de Matos and Rossi, 2008). Positive WOM involves an individual sharing positive experiences, such as sharing support for an organization and making recommendations (Sweeney, Soutar and Mazzarol, 2014), while negative WOM includes sharing negative experiences, such as spreading rumors or complaints. Recent research suggests positive WOM is more common and has a greater influence on consumers than negative WOM (East, Hammond and Lomax, 2008; Sweeney, Soutar and Mazzarol, 2014). Further, East, Hammond and Lomax (2008) found support that positive WOM is more likely to positively influence purchase decisions.

When consumers are satisfied and their needs or expectations are met (Oliver, 1977), they are likely to share the positive experience with others (de Matos and Rossi, 2008), spreading positive WOM to encourage friends and family (Babin *et al.*, 2005;). Considering S-D logic, when consumer's place value on a satisfying experience, it is expected that customer satisfaction will relate to positive outcomes, such as positive WOM intentions.

As such, we propose that:

H4: *Customer Satisfaction is positively related to Positive WOM Intentions.*

3.5 Moderation of the Effects of Delivery Performance on Customer Satisfaction

Analyzing the effects of a moderator allows for better understanding the breadth of the relationship and whether that relationship holds under varying conditions (Edwards and Berry, 2010; Goldsby *et al.*, 2013). We consider that returns channel switching may serve as a boundary condition for the hypothesized main effects. Returns channel switching is defined as a consumer's decision to return a purchased item through a different channel than the original purchase. Consumers who choose to stay in the same channel for making returns are referred to as stayers; consumers who choose to switch channels for making returns are referred to as switchers. We test whether or not the hypothesized relationships differ depending on whether a consumer is a stayer or a switcher.

As investment in omni-channel offerings continues to grow, it is important for retailers to understand the influence of customer channel choice. Considering S-D logic, we expect that channel switchers experience enhanced value through omni-channel returns options that provide consumers with greater flexibility. We expect that returns channel switching as a moderator will interact with delivery performance for an amplified positive effect on customer satisfaction, such that a positive relationship between delivery performance and customer satisfaction will be even stronger for customers that are switchers.

Therefore, we propose that:

H5: *Returns Channel Switching positively moderates the relationship between Delivery Performance and Customer Satisfaction.*

3.6 Moderation of the Effects of Returns Convenience on Customer Satisfaction

Additionally, we consider that returns channel switching may serve as a boundary condition for the relationship between returns convenience and customer satisfaction. Customers are expected to value a convenient returns process which relates positively to customer satisfaction, though there may be differences in the influence of convenient returns on satisfaction depending on customer segment (e.g. stayers, switchers). Drawing upon S-D logic, we expect that customers value the flexibility of a convenient omni-channel returns experience, though the switchers segment of customers are expected to especially value convenient omni-channel returns offerings as these customers tend to take the opportunity to purchase and return through different channels. We expect that returns channel switching as a moderator will interact with returns convenience for an amplified positive effect on customer satisfaction.

Therefore, it is posited that:

H6: Returns Channel Switching positively moderates the relationship between Returns Convenience and Customer Satisfaction.

3.6 Conceptual Development

Therefore S-D Logic supports our conceptual model (Fig. 1). The model depicts how aspects of the online retailing experience, specifically delivery performance and returns convenience, relate to satisfaction, and, ultimately, loyalty and positive WOM. Returns channel switching is included in our conceptual model as a moderator. We expect that there will be differences in the strength of the relationships between delivery performance, returns convenience, and satisfaction for different customer segments based on returns channel choice, due to differences in what enhances value for the different customer segments.

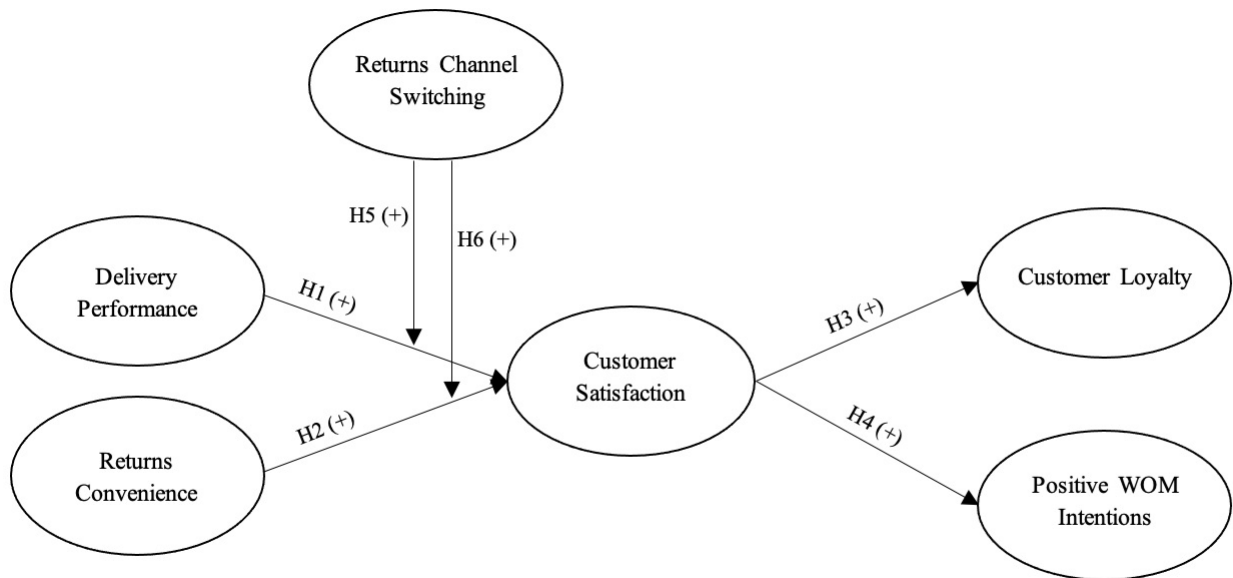


FIGURE 1. CONCEPTUAL MODEL.

IV. RESEARCH METHODOLOGY

4.1. Research Design and Data Collection

A survey research design was utilized to test the hypothesized relationships since it allows for collecting data appropriate for testing complex relationships between independent and dependent variables and potential moderator

variables. An online survey was developed via the Qualtrics online platform and administered through Amazon Mechanical Turk (MTurk) national consumer online panel, a popular method of testing consumer-related hypotheses (Cantor, Blackhurst and Cortes, 2014; Murfield *et al.*, 2017). Participants were compensated through MTurk with a cash reward for taking the survey. Based on the amount of time expected for completing the survey (10 minutes), participants were compensated with \$.50 for completing the survey. Five hundred respondents were recruited for the study, and MTurk qualifications were utilized to target respondents that resided within the U.S. and that had a 95% approval rate. To assess non-response bias, we followed Armstrong and Overton (1977), and compared the last quartile of responses, those most similar to non-respondents, to the first three quartiles of responses. Finding no significant difference in the group means for key construct survey questions, we do not consider non-response bias to be an issue for the results of this research. To ensure that respondents were paying proper attention to the questionnaire, respondents were asked in two sections to mark their place by providing a specific response. Of the responses, 28 were eliminated due to failing the attention check or outlier identification. Outliers were identified and considered based on a multivariate difference indicator. Respondents were asked to answer the questionnaire based on a recent returns experience that was either purchased online or in a brick-and-mortar store. Of the useable responses, 313 respondents had made their purchase online, while 159 had purchased from a brick-and-mortar store. Since

returns channel switching (as mentioned previously) is not prevalent when purchases are made in-store, the focus is on online purchases only, therefore analysis was performed on the 313 online shopper responses only.

The largest group of participants (41%) were between the ages of 25 and 35, with 10% of participants under 25 and 11% above 55. Over half of participants (59 %) were female, and almost half had a combined household income between \$20,000 and \$60,000. The majority of respondents (88%) reported at least some college education.

4.2. Measurement Scales

The survey questionnaire was developed utilizing existing multi-item scales. All survey items used a seven-point Likert-type scale, from strongly agree to strongly disagree. The measurement items and descriptive statistics can be found in the Appendix and the construct correlation matrix is presented in Table 1. The delivery performance measure was adapted from Griffis *et al.* (2012), who adapted their measure from Mentzer, Flint and Hult (2001). The returns convenience measure was adapted from Seiders *et al.* (2005, 2007) to include a broader consideration for aspects of the returns experience. The scales for customer satisfaction, customer loyalty, and positive WOM intentions were adapted from Brady, Voorhees and Busco (2012) to reflect a broader service context. Construct reliability was assessed, and each construct had a Cronbach's alpha of .85 or higher.

TABLE 1. CONSTRUCT CORRELATION MATRIX.

Construct	DELSPD	RETCON	CSTSAT	CSTLOY	PWOM
Delivery Performance	1				
Returns Convenience	.561**	1			
Customer Satisfaction	.546**	.587**	1		
Customer Loyalty	.476**	.499**	.752**	1	
Positive WOM Intentions	.593**	.615**	.772**	.779**	1
Mean	5.853	6.038	5.686	5.513	5.880
Standard Deviation	1.093	.988	1.195	1.269	1.129

All Constructs have 7-point Likert-type scale: (1) Strongly disagree to (7) Strongly agree.

** Correlation is significant at the 0.01 level (2-tailed).

4.3. Measurement Model Test

A two-step approach was taken for testing the hypothesized structural equation model (Anderson and Gerbing, 1988). EQS 6.3 for Windows was used to first test the measurement model alone, followed by a simultaneous test of the measurement model and the structural model (Anderson and Gerbing, 1988). There were 18 items and 5 latent constructs. To evaluate reliability, we used Cronbach’s α and composite reliability (CR), and the results in Table 2 show that they are both higher than the acceptable threshold value of 0.7 (Fornell and Larcker, 1981) for all five constructs. In order to test for discriminant validity, a one factor model was compared to a

five-factor model as recommended by Kline (2011). A significant improvement in model fit was found for the five-factor model suggesting sufficient discriminant validity. Therefore, we proceeded with a test for convergent validity. All 18 factor loadings were significant (Table 2) supporting convergent validity (Anderson, 1987). Measurement model results are presented in Table 2, indicating adequate fit of the measurement model. Comparative Fit Index (CFI) and Incremental Fit Index (IFI) have values greater than .90 suggesting an acceptable fit (Bagozzi and Yi, 1988; Fornell and Larcker, 1981; Hu and Bentler, 1995). The residual based index, standardized root mean-square residual, (SRMR) is also acceptable for the measurement model.

TABLE 2. MEASUREMENT MODEL RESULTS.

Construct	Measurement Items	Standardized Parameter Estimate	Standard Error	AVE	CR	Cronbach's α	t-value
Delivery Performance	DELPRF1	.829		0.64	0.84	0.85	(Fixed)
	DELPRF2	.768	.06				14.71
	DELPRF3	.801	.07				15.49
Returns Convenience	RETCON1	.854		0.81	0.96	0.96	(Fixed)
	RETCON2	.911	.05				22.79
	RETCON3	.939	.05				24.26
	RETCON4	.944	.05				24.54
	RETCON5	.850	.05				19.34
	RETCON6	.892	.05				21.83
Customer Satisfaction	CSTSAT1	.913		0.86	0.95	0.95	(Fixed)
	CSTSAT2	.940	.04				29.18
	CSTSAT3	.931	.03				28.40
Customer Loyalty	CSTLOY1	.891		0.79	0.92	0.92	(Fixed)
	CSTLOY2	.857	.05				21.11
	CSTLOY3	.917	.05				24.12
Positive WOM Intentions	PWOM1	.941		0.90	0.96	0.96	(Fixed)
	PWOM2	.979	.03				40.42
	PWOM3	.928	.03				32.10

Fit statistics: Chi-square = 355.13 ($df = 142, p < 0.001$), CFI = .97, IFI = .97, RMSEA = .07, SRMR = .03.

4.4. Structural Model Test

Structural equation modeling was used to test the direct relationships hypothesized in the conceptual model. Goodness-of-fit and residual-based indices for the structural model indicate adequate model fit as CFI was .94; IFI was .94; RMSEA was .095 (Bollen and Long, 1993; Hu and Bentler, 1999; Kline, 2011). After establishing a sound model fit, the next step was the testing of hypotheses.

Structural model results appear in Table 3, and show tests of significance for the direct

hypothesized relationships, with unstandardized parameters reported. Support was found for H1 and H2, for a positive and significant effect of both delivery performance and returns convenience on customer satisfaction. Support for the main effects continued, with results supporting H3 and H4, for a positive and significant effect of customer satisfaction on customer loyalty and positive WOM intentions, respectively. Establishing support for the direct hypotheses, testing of the moderated hypotheses followed.

TABLE 3. HYPOTHESIZED PATHS TESTING.

Path	Unstandardized Parameter Estimate	Standard Error	<i>t-value</i>	p-value	Note
H1: Delivery Performance → Customer Satisfaction	.399	.056	7.125	<0.0001	Supported
H2: Returns Convenience → Customer Satisfaction	.597	.065	9.207	<0.0001	Supported
H3: Customer Satisfaction → Customer Loyalty	.781	.051	15.342	<0.0001	Supported
H4: Customer Satisfaction → PWOM Intentions	.745	.042	17.908	<0.0001	Supported

Fit statistics: Chi-square = 563.485 ($df = 148, p < 0.001$), CFI = .937, IFI = .937, RMSEA = .095.

4.5. Moderating Analyses

The hypotheses examining moderated effects were analyzed using multi-group structural equation modeling (Steenkamp and Baumgartner, 1998). Multi-group structural equation modeling has been used in logistics research to test moderating effects (Cahill *et al.*, 2010). Respondents were assigned to groups depending on whether they were stayers or switchers. Measurement invariance was first established to ensure that constructs were being measured by indicators in a consistent manner across the two groups. A model with the relationships between indicators and constructs, fixed to be equivalent for the two groups, was compared to a model where these relationships were freely estimated. There was no significant difference in model fit supporting measurement invariance, thus, enabling the testing of invariance of the structural paths.

Tests of invariance between the structural paths were performed using the segmented respondent groups (Byrne, 2006, Zimmer-Gembeck, Geiger and Crick, 2005). This involved running a free model, in which the parameters for each group were estimated separately, and then comparing it to a model in which the structural paths were constrained to be equal for the two groups. The Lagrange Multiplier test of equality constraints (L-M test)

was used to indicate invariance of the structural paths, showing whether a significant difference exists in chi-square between the free model and the constrained model (Byrne, 2006). A significant difference in the chi-square for the constrained model compared with the chi-square for the free model suggests that there are differences in the structural path between the two groups, indicating moderation. Cases with no significant difference in chi-square suggest invariance of the structural paths between the groups. Incremental chi-square values with probability $< .05$ were the basis of significance decisions (Byrne, 2006).

Results of the tests of significance for the moderated hypotheses are shown in Table 4. Hypothesis H5 posits that returns channel switching positively moderates the relationship between delivery performance and customer satisfaction. Results show support that there is a significant interaction between returns channel switching and delivery performance as it relates to customer satisfaction, but it is not in the expected direction. Results support a stronger effect of delivery performance and customer satisfaction for stayers rather than switchers. Support is not found for H6, which proposed that returns channel switching positively moderates the relationship between returns convenience and customer satisfaction.

TABLE 4. TWO-GROUP ANALYSIS TO TEST FOR MODERATION.

Path	Returns Channel Switching	p-value
H5: Delivery Performance → Customer Satisfaction	$\chi^2=5.15^*$	0.02
H6: Returns Convenience → Customer Satisfaction	$\chi^2=1.71$	0.19

* - denotes significant (p<0.05)

We next perform a post hoc analysis for a more robust understanding of the drivers of returns channel choice for greater insight into the findings.

4.6. Post Hoc Analysis

In addition to the six hypotheses examined through the focal study, there was a detailed post hoc analysis of the open-ended data collected through the survey. Open-ended questions were included to capture a more in-depth understanding of returns channel choice. Customers were asked whether they prefer to return products purchased online either through the online channel or to the local brick-and-mortar store. Customers with a preference to return online purchases through the online channel, stayers, were asked an open-ended question to capture the reasons for this preference. Alternatively, for switchers, who prefer to return online purchases in-person to the local brick-and-mortar store, they were asked an open-ended question to capture the reasons for this preference.

A qualitative analysis was performed for the open-ended responses of the respondents that identified as switchers. This analysis involved coding the responses to capture the themes that emerged followed by an analysis to identify the common themes across respondents, with a consideration that some responses included multiple reasons for the preference to return in-person. This analysis revealed interesting insights behind customer channel choice for in-person store returns. The following were the top reasons for the customer

preference for in-person store returns (Categories are not mutually exclusive): (1) It is easier/convenient (47% of respondents); (2) Faster return processing/refund speed (24% of respondents); (3) It is cheaper (21% of respondents); (4) Facilitates additional purchases (16% of respondents); (5) Assurance of Return Processing (15% of respondents); Prefer human interaction (8% of respondents). There were several other reasons mentioned for the customer preference for in-person store returns, but they were common amongst 1% or less of respondents.

A qualitative analysis was next performed for the open-ended responses of the respondents that identified as stayers, with a preference for online returns after purchasing online. The responses were coded and the themes that emerged were analyzed to identify the common themes across respondents, and again it is noted that some responses included multiple reasons for the preference to return online. The results revealed that the following were the top reasons for the customer preference for online returns (Categories are not mutually exclusive): (1) It is easier/convenient (50% of respondents); (2) No local retailer/online only retailer (17% of respondents); (3) Bought online so prefer to return online (6% of respondents); (4) Location of package drop-off (6% of respondents); (5) Only option available (5% of respondents); (6) Limited human interaction (5% of respondents); (7) Cheaper/Free Return Shipping (5% of respondents). There were a few other reasons for the customer preference for online returns,

but they were only common amongst 1% to 4% of respondents.

V. DISCUSSION

With investments in omni-channel service offerings growing, retailers need to understand what customers value to the develop these offerings. Previous research has examined how the retailing experience relates to customer outcomes (Berry, Seiders and Grewal, 2002; Colwell *et al.*, 2008; Griffis *et al.*, 2012; Lewis, 2006; and Rao, Griffis, and Goldsby, 2011). Our results for the direct relationships between delivery performance (H1), returns convenience (H2) and satisfaction as well as between satisfaction and customer loyalty (H3) and positive WOM (H4), align with previous research. Though we ground our hypotheses in S-D logic, as a solid foundation when examining the effects of omni-channel service offerings since these offerings involve the exchange of goods and the intangible aspects of the service experience.

We extend previous research on the direct focal relationships, by considering the moderating effect of returns channel switching. We find support for a significant interaction of returns channel switching and delivery performance related to customer satisfaction, though not in the expected direction. Based on theory, we proposed that switchers would place more value on receiving omni-channel returns options resulting in a stronger positive effect of delivery performance on satisfaction. The results support the opposite; that for stayers, the positive effect of delivery performance on satisfaction is amplified. In considering this unexpected result, we contemplate that single channel customers, such as stayers, are more likely to make fewer purchases and initiate less contact with the retailer than switchers. These stayer characteristics help to explain our results. Stayers likely place greater value on using the online channel, and, therefore, value the ability to utilize shipping for both purchase and returns.

Greater value placed on delivery performance, explains the amplified effect for stayers of this relationship.

There was not a significant interaction between returns convenience and returns channel switching as proposed. Returns convenience is clearly important to consumers and has a positive direct effect on customer satisfaction. It may be that returns convenience is equally important to all customers, explaining the lack of significant difference between the groups.

We extend previous research on the drivers of returns channel choice (Xu and Jackson, 2019), through our post hoc analysis. The top reasons that customers switch channels and decide to return in-store for purchases made online, are intuitive as they relate to the process making life easier, or to financial considerations (e.g. faster refund and cheaper returns option). Other key reasons for returning in-store, relate to customers wanting peace of mind related to returns as well as the desire to interact with an actual person for the return. A respondent explained that they “*get instant credit, and there’s no worry about it being lost in the mail.*” Another respondent explained that “*returns seem to go better when talking to people in person.*” These are important factors for retail managers to consider as they develop returns policies and procedures.

Interestingly, when considering the top reasons for stayers preferring online returns for online purchases, there were similarities with the switchers’ reasons. Both groups prioritized reasons related to making life easier or financial aspects of returns. Though, there were some unique reasons for preferring online returns, such as the general preference for returning product through the same online channel as the purchase. We also observe that some preferences are at odds between the groups. For example, a key reason for the preference to return online is the lack of human interaction, while the exact opposite reason was given for the preference to return in-store. One of the

respondents explained that they “prefer to not deal with a customer representative in-store ... it is too much of a hassle. Sometimes, the representatives are not very nice, and you have to explain to them in detail why you want to return the item.” Evidence of customers on each side of the spectrum highlights the need for providing a variety of service offerings to satisfy the needs of a diverse customer base.

We consider that the post hoc results provide additional support for the results of the hypothesized relationships. Stayers prefer to return online due to a general preference to minimize human interaction, further supporting the amplified effect for stayers on the relationship between delivery performance and satisfaction. Post hoc results also support that the top driver of returns channel choice for both groups was returns convenience, providing further support for our results that the effects of returns convenience on satisfaction were no different for stayers or switchers. Lastly, the post hoc results further bolster the results from previous research on the drivers of returns channel choice (Xu and Jackson, 2019). Some of the top reasons provided for returns channel choice align with previous research as they relate to minimizing hassle, minimizing costs, or in some cases the general preference to align purchase and returns channel, though our results provide a more robust understanding of the drivers of returns channel choice.

VI. MANAGERIAL IMPLICATIONS

Retailers can gain advantage through understanding what customers value related to service offerings, as well as the impact of returns channel choice. This research provides insight into how the options provided to consumers for returns channel relate to satisfaction and ultimately customer behavior. We find support for significant effects of delivery performance and returns convenience on customer satisfaction, suggesting that retailers should be encouraged to invest in the

service dimensions of delivery performance and returns convenience, with the expected outcome of enhanced customer satisfaction, and ultimately greater loyalty and positive WOM. It is also recommended that firms track key performance indicators related to these important service dimensions. Even online retailers, that rely on support from drop-ship vendors to deliver a portion of their customer orders, should be focused on delivery performance. It is in the best interest of retailers to have visibility and some control over the delivery process, even when a vendor or third party is shipping on their behalf.

The results of our moderated hypotheses suggest that managers should recognize that customer satisfaction may differ between different customer segments due to differences in what enhances value for each segment. Understanding customer segments can help with developing programs to influence customers for positive outcomes. For example, the results provide insight into the preferences of the stayer segment of customers, alluding to the importance of delivery performance on satisfaction for this segment of customer. Retail leaders have focused tremendous resources on developing omni-channel service offerings for customers that value the flexibility of switching channels for shopping, purchasing, and returning product, though, leaders must also consider that there are customers, such as the stayers that have a preferred channel of interaction and there must also be a focus on developing service offerings to serve those customers. Enhancing loyalty and maintaining market share is critical in the competitive retail market, therefore understanding the preferences and needs of all market segments should be a priority. Additionally, our results for a lack of significant difference across groups for the importance of returns convenience, indicates the importance of convenience across the board as a priority for retail leaders in developing returns policies and procedures. Therefore, as retail leaders are developing retail service

offerings, the convenience of these offerings should be a top priority, regardless of whether the offerings are targeted at customers that like to interact through an online or an in-person channel. Previous research suggests that the use of artificial intelligence (AI) during an online purchase relates positively to customer perceptions of convenience (Kliestik, Zvarikova, K. Lăzăroiu, 2022), likely due to the customization of the experience to the customer. Therefore, the use of AI may be considered as a strategy in driving greater convenience.

VII. THEORETICAL IMPLICATIONS AND FUTURE RESEARCH

The focal research extends previous work by applying S-D logic to an omni-channel retailing environment. Thus, we provide a theoretical contribution that our findings can be applied to other contexts sharing similar conditions (Makadok, Burton and Barney, 2018). S-D logic is especially relevant in providing understanding of how retailers can develop service offerings to support omni-channel retailing to enhance value for consumers for positive outcomes.

We consider that the drivers of returns channel choice have had limited focus in previous research (Xu and Jackson, 2019). Our work contributes to research on channel choice in a number of ways. Previous researchers have had greater focus on channel choice for purchases with limited attention to channel choice for returns (Xu and Jackson, 2019). The current work extends this research and supports returns channel choice as a factor to be used in customer segmentation, in efforts to understand the boundaries of hypothesized relationships, for greater precision in understanding the underlying processes of the relationships (Ylikoski and Kuorikoski, 2010). Relying upon S-D logic, we found support that different customer segments place greater value on different elements of the retailing experience

driving differences in outcomes. Researchers examining the effects of aspects of the retailing experience on customer outcomes might consider customer segmentation to differentiate how value is attributed. Future research might consider examining boundaries based on returns channel choice, for other hypothesized relationships. Researchers have supported the importance of providing customers with omni-channel service offerings, though our results broaden the understanding of how there may be differences in the value that different customer segments place on aspects of these service offerings. Without analyzing the moderating effects of returns channel switching, we would not be able to identify the stronger effects of delivery performance on satisfaction for the stayer segment of customers. In addition to channel switching, another moderator to consider for future research, is product category (e.g., technology products, apparel). We might find that delivery performance and convenience have a stronger effect on customer outcomes for specific product categories.

Our qualitative analysis of the open-ended responses provides a richer understanding of the customer preferences for returns channel choice. It is clearly important that retailers prioritize making life easier for the customer and considering the expense of returns. It is also clear that retailers should provide a variety of returns service offerings to meet the diverse needs of different customer segments. We have examined some of the customer outcomes influenced by channel choice, but further insight could be gained by examining potential firm outcomes such as economic performance, as there are financial implications related to offering returns options, such as inventory holding policy implications.

VIII. CONCLUSION

This research expands the understanding of how a customer's purchase and returns experience relates to their

satisfaction, and ultimately loyalty and positive WOM. We contribute through our grounding in S-D logic, and the importance of retailers developing service offerings to enhance consumer value. We extend consideration for returns channel choice as means to segment customers, with support that different customer segments may place value on different aspects of the retailing experience. We provide support that stayers, who prefer to return online when purchasing online, place great value on delivery performance, and that all customer segments value returns convenience.

Additionally, our post hoc results align with previous research (Xu and Jackson, 2019), and provide an expanded understanding of the reasons that customers choose to return online purchases through either the online channel or in-store, with importance placed on minimizing hassle, minimizing costs, or the desire of a customer to align purchase and returns channel.

From a managerial perspective, our results suggest that retailers should consider investment in capabilities related to delivery performance and returns convenience for positive outcomes, as well as the importance of retailers understanding the needs of different customer segments in driving greater satisfaction.

Survey research was conducted, and structural equation modeling was utilized to analyze the hypothesized relationships. Future research might involve a qualitative analysis of interview or focus group data for an even deeper understanding of the reasons behind the effects of aspects of the retailing experience on customer outcomes. Retail leaders could benefit from a greater understanding of the factors of importance to different customer segments in order to enhance value for customers. It is recognized as a limitation that we isolate our focus on delivery performance and returns convenience. Though, these are critical factors in omni-channel retailing, there may be other factors in need of investigation.

Consumer demand for flexibility and convenience will continue to make omni-channel service offerings a competitive necessity. Consumers do not all respond in the same way to a retailing experience; gaining an understanding of what is valued by customer segments allows for tailoring programs and incentives. Understanding consumer behavior can help retailers' competitive differentiation within the complex omni-channel retailing environment.

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