



Let your salespeople create a good vibe with the customer: Managing returns in high customer contact businesses

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Why customers return their purchases? Maybe the product is not fitting their needs; maybe they are testing multiple alternatives before landing on the favorite one; maybe simply the return policy allows them to do so with very little hassle. When conducting data analysis to “unpack” the mystery of return drivers, each of the above reasons would be captured by an array of product-related, consumer-related, and retailer-related characteristics. While illuminating, these insights are often faced with practical hurdles as retailers take the “analytics into action”. After all, it is hard to significantly overhaul the product assortment (according to product-related drivers), actively modify customer mix (according to customer-related drivers), or simply switch to a different return policy. However, for Bricks-and-Mortar retailers, the good news is that there exists another set of salesforce-related return drivers that are both impactful and actionable.

A recent study by Professors Ertekin (U of Minnesota), Ketzenberg (Texas A&M U), and Heim (Texas A&M U) shows that the “vibe” created by salespeople with customers is a major predictor of returns in high customer contact environments. Specifically, they consider a large scale national jewelry retailer selling medium to high priced items with stores scattered throughout the US. Despite different stores carry

similar assortments, store-level returns range from 2% to 50%. If we “zoom in” to salesperson-level return rates, the range is as wide as 0% to 71%. The authors propose two salesperson characteristics that help build the vibe: friendliness and competence. The former captures the general salesperson attitude perceived by the customer, while the later speaks more to the jewelry expertise presented by the salesperson. Through rigorous econometric analysis, the authors show that while both reduce returns, competence exerts much more influence than friendliness. Compared with a store staffed with a squad of low competence salespeople, a high competence squad reduces return rates from 17% to 15%, all else equal. Further details from this study can be found below:

Ertekin, N., Ketzenberg, M., Heim, G. Assessing Impacts of Store and Salesperson Dimensions of Retail Service Quality on Consumer Returns. *Production and Operations Management* (2019), <https://doi.org/10.1111/j.1937-5956.2019.13077.x>

¹ This recurring series provides plain-English summaries of leading academic research in the area of consumer returns. It is co-produced by Mark Ferguson (Univ. of South Carolina), Michael Galbreth (Univ. of Tennessee), and Guangzhi Shang (Florida State Univ.).

