

AN ANALYSIS OF MOTIVATIONS AND LIKELIHOOD TO DEFRAUD HIGH-END
FASHION SPECIALTY RETAILERS

by

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(Under the Direction of Jan M. Hathcote)

ABSTRACT

There is a substantial amount of discussion regarding fraudulent returns performed by consumers in the retail industry, but there is minimal information on what motivations and background characteristics drive consumers to perform this act. This research examined the influence of consumer's personal beliefs and social norms toward high-end apparel fraudulent returns. Sorority women at a Southeastern University who participate in high-end apparel shopping were analyzed using an online survey. The results showed significant influence of Respect of Return Policies and Return History on Attitude Towards Returns. Also, significant influence of Attitude Towards Returns and Consumer Social Norms of Returns on Intention to Fraudulently Return. Lastly, there was significant influence of Intention to Fraudulently Return on Fraudulently Returning Behavior.

INDEX WORDS: High-end fashion specialty retailer, Fraudulent Returns, Sorority, Store Loyalty, Social Norms, Season

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DEDICATION

This thesis is dedicated to my family. To my mother and father, without their support and encouragement I would not have accomplished all that I have today. Also, to my grandmother, who introduced me to fashion and has influenced my style since a very young age. Lastly, to my sister because she has inspired me to be dedicated to whatever I do just as she has.

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CHAPTER 1

INTRODUCTION

Fraudulent returns are a common practice among many consumers and is an issue that retailers face on a regular basis. Instead of a customer returning merchandise within the rules of regulations of the fashion specialty retailer he or she chooses to break the rules defined by the store to obtain a refund for their purchase. Fraudulent returns are defined as “consumers taking back goods to a retailer knowing that such a return is contrary to the firm or legal rules and regulations governing such returns (including returning functional but used or consumer-damaged goods)” (Harris, 2008, p. 461). Fraudulent returns are an epidemic in the retail industry. No sector of the retail industry is protected from this. Over the past few years the cost of fraudulent returns has not changed, even if the return policies have (Anandwala, 2009; Evans, 2006; Hoops, 2007; Willett, 2006). “According to [National Retail Federation’s] annual Return Fraud Survey, completed by loss prevention executives at 134 retail companies, two-thirds of retailers (69%) say their company’s return policy has changed in the past to account for fraud” (Federation, 2009, p. 1). The retailers alone cannot cover the amount of money lost to these fraudulent returns. According to Evans (2006), Joe LaRocca, the vice president of loss prevention for Federated Department Stores, Inc., said customers pay approximately 1.6 cents on every dollar to cover the costs of retail theft.

Very little research has been done on high-end retailers and their methods of handling this problem. Most of the research has been done on middle market retailers that are located nationwide (Anandwala, 2009; Evans, 2006; Willett, 2006). A National Retail Federation survey

of 134 retail companies including discount stores, department stores, supermarkets, drug stores, specialty stores, and restaurants found that two-thirds of retailers say their company's return policy has changed in the past to account for fraud (Federation, 2009). A further analysis of the high-end department store sector of the industry may uncover a common practice that will help retailers at all levels. Many companies, such as Overstock.com, have been changing their return policy. Overstock usually trusts the customer, however if the item is opened or used, the refund amount will be reduced (Anandwala, 2009). A reduction in the refund amount is one route to fight fraudulent returns, but more research needs to be done on the proclivity of a consumer to fraudulently return to high-end retailers. Research involving the factors that drive a consumer to fraudulently return and the impact on how often he or she fraudulently returns needs to be conducted to benefit business in all markets.

Verify-1, a software system that facilitates the decision process of whether to allow or deny returns or exchanges based on the customer's return record may be a step toward preventing fraudulent returns (S. Kang, 2004). This system is especially helpful for "serial wardrobers" who "buy an outfit, wear it once or twice and return it" (S. Kang, 2004, p. 1). The steps of how the system operates are still under scrutiny, and it has not been fully approved by retailers nor accepted by customers. Research on the effects of this system may be beneficial in the future when the system is more widely used. However, for now the overall issue of fraudulent returns is not isolated to a few retailers. Retailers of all shapes and sizes as well as Internet websites are affected by fraud each year, and more research on the customer's proclivity to fraudulently return items needs to be conducted. With further research in this area, retailers may be able to protect themselves and save their companies millions of dollars each year.

Purpose of the Study

This study seeks to understand the reasons why consumers feel it is necessary and worthwhile to fraudulently return previously worn apparel. The issue has been showcased in many television shows, *Will and Grace*, and movies, *Never Been Kissed*, where consumers purchase clothing items that are out of their price range, to wear them in a social setting, obtain the social status from them, and then return them to the retailer for a full refund. With an approximate return rate of 30%, apparel has the highest amount of returns compared to books and CDs with only a 2%-5% return rate (Franco, 2000). Purchasing apparel has many factors to take into consideration, such as size, cut, shape, inseam, etc. and there are many factors that play into it being returned. How can a retailer ensure that every return made is in good faith? It is a battle for retailers to maintain good customer service and accept these returns, even if they are aware the return is not honest.

With the decline in the current economy, the number of consumers who attempt to defraud retailers may increase. Through a survey conducted in 2006 by Stanford University, an estimated 17 million Americans (approximately 6% of the population) are “compulsive buyers” (Shulman, 2009). This increase in over-spending and over-shopping leads to more debt accumulated by Americans each year. Many consumers may believe that fraudulently returning an item may help them gain the satisfaction they need to purchase items they cannot afford, but without the financial repercussions.

The time of year is another significant factor for returns. Approximately \$3 billion are lost each holiday season in retail because of fraudulent returns, and approximately \$9 billion are lost each calendar year (Anandwala, 2009). Retailers approach strategies to fight fraud

differently. “Most retailer’s holiday policies will stay consistent with last year [2008] (80.4%), while 16.9 percent of companies said their return policy will tighten and 3.8 percent said the policy will loosen. About one-third (28%) of retailers say their return policy is more flexible during the holidays than it is during the course of the year” (Federation, 2009, p. 1). Flexibility is added to the policy to allow for the large amount of returns that happen during and after the holiday season. The National Retail Federation also states that about 40% of Americans return at least one item gifted to them during the holidays ("Gift returns: New rules require new tactics," 2008). The present study focused on determining if the time of year, or season, has any affect over the amount of returns made to the high-end fashion specialty retailer.

The current economic climate in the United States also affects both customer and retailer spending habits. Government’s economic stimulus strategy has yet to, or has slowly impacted the consumer economy, but Hyman (2010) believes that once the public sector cuts begin to take effect, disposable income will reduce and households will have to make economic spending decisions. The major issue is to determine when people will start spending. Hyman (2010) states that retail spending can seem negative during the year except when it comes to the holidays. Hyman also believes that December 2010 will not make up for what economists predict will be a tough Christmas (2010). Christmas 2008 suffered due to the economy and therefore the low Christmas 2008 numbers lead to an anticipated high Christmas 2009 (Hyman, 2010). Christmas 2009 seemed to be a strong holiday season because of the low numbers of 2008, therefore, economists were not optimistic about December 2010’s numbers compared to December 2009.

In Los Angeles, California, over December 2010 retail sales rose by 15.1% to \$7.58 billion compared to the same day last year according to ShopperTrack RCT Corporation (Chang, 2010). The last Saturday before Christmas also had a rise in sales by 10.1%, but this increase

may be skewed because of the economic recession and weather conditions that occurred during 2009 shopping season that deterred many customers from venturing in the snow for their holiday gifts (Chang, 2010). Also, online sales were up according to IBM Coremetrics, which tracks consumer buying habits of over 500 websites (O'Donnell, 2010). IBM Coremetrics reported online sales increasing by 23% compared to the same day the 2009 holiday season (O'Donnell, 2010).

Ultimately people love the leisure of shopping and browsing for items while enjoying a cup of brewed coffee, and there is no sign that leisure shopping will ever completely stop (Dube & Turner, 2008). The compulsion of many consumers to shop may lead to the purchase of items he or she cannot afford, and eventually the returning of merchandise. Many retailers are being urged by economists to prepare for the worst. Week (2010) urges retailers to create a worst-case business plan protecting their cash, fixed and variable costs, and working capital in case there is a drop in the top 15% of their business. This preparation may cause retailers to change policies for many aspects of their business, such as returns. The economic climate is affecting everyone and this study hopes to understand the customers shopping and returning habits.

Objectives

The objective of this study is to determine the impact Consumer Beliefs on Returns (Respect of Return Policies, Return History, and Seasonal Return Beliefs) have on the Attitude Towards Returns and how Attitude Towards Returns affects the Intent to Fraudulently Return and ultimately affects the Fraudulent Returning Behavior. Also, this study aims to determine the impact that Consumer Social Norms of Returns, and Store Loyalty have on the Intent to Fraudulently Return and ultimately the Fraudulent Returning Behavior.

Hypotheses

H1. The consumer beliefs on returns will negatively influence the consumer's attitude toward returns.

H1A: The consumer's respect of return policies will positively influence the consumer's attitude toward returns.

H1B: The consumer's return history will positively influence the consumer's attitude toward returns.

H1C: The seasonal return beliefs of the consumer will have a positive influence on the consumer's attitudes toward returns.

H2. A consumer's attitude toward returns will negatively influence the consumer's intention to fraudulently return.

H3: The consumer's social norms of returns will positively influence the consumer's intention to fraudulently return.

H4: The store loyalty of the consumer will negatively influence the consumer's intention to fraudulently return.

H5. The intention to fraudulently return will positively influence fraudulent returning behavior.

CHAPTER 2

LITERATURE REVIEW

To understand what drives consumers to make fraudulent returns we must understand the beliefs about the consequences of returns, the attitude toward returns, the social norms of returns, the impact of store loyalty, the intention to fraudulently return and lastly, the behavior of fraudulent returns. In addition, one needs to know what drives a consumer to make a purchase in the first place, why a consumer is either satisfied or dissatisfied with his or her purchase, what drives consumers to purchase high-end brands, demographic characteristics of people who purchase high-end items, and psychographic characteristics of people who make returns; lastly, fraudulent returns and how they impact store profits. These findings will help in the search to understand fraudulent returns and why they happen.

Based on the Theory of Reasoned Action, this study attempts to distinguish among the many factors persuading a customer to fraudulently return. It is posited that the most influential factors being tested are Consumer Beliefs on Returns (Respect Return Policies, Return History and Seasonal Return Beliefs) and their impact on consumer Attitude Towards Returns and how Attitude Towards Returns impacts the consumer's Intent to Fraudulently Return. Also, the Consumer Social Norms of Returns and Store Loyalty of the consumer are tested to determine how they impact the Intention to Fraudulently Return and ultimately the Fraudulent Returning Behavior. These factors have very little past research done specifically on them and how they relate to fraudulent returning behavior and are discussed further within the following sections.

Theoretical Framework

Based on the objectives previously described, the following model, Figure 2.1, was used as the guideline for creating a new model. The original model, Theory of Reasoned Action, was originally set forth by Fishbein and Ajzen (Ajzen & Fishbein, 1980; 1975). This theory has been used in many different types of studies ranging from the use of technology (Cheung & Lee, 2009; Kim, 2009; Lin, 2008; Peslak, Ceccucci, & Sendall, 2010), to tourism (Bamberg, Ajzen, & Schmidt, 2003; Ryu & Han, 2010), to healthcare professionals (Fife-Schaw & Abraham, 2009; Godin, Banger-Gravel, Eccles, & Grimshaw, 2008; Natan, Beyil, & Neta, 2009; Sable, Schwartz, Kelly, Lisbon, & Hall, 2006; Shwu-Ru, 2009; Wang, 2009; Werner & Mendelsson, 2001), to alcohol and drug usage (D. C. N. Chan, Wu, & Hung, 2010; Glassman, Braun, Dodd, Miller, & Miller, 2010; Sharma & Kanekar, 2007; Zamboanga, Schwartz, Ham, Jarvis, & Olthuis, 2009), to condom usage and other healthcare issues (Gullatte, 2006; Kulkarni, 2007; Muoz-Silva, Snchez-Garca, Nunes, & Martins, 2007; Ross, Kohier, Grimley, & Anderson-Lewis, 2007; Weber, Martin, & Corrigan, 2007) and many more and therefore it is believed to be a consistently accurate model.

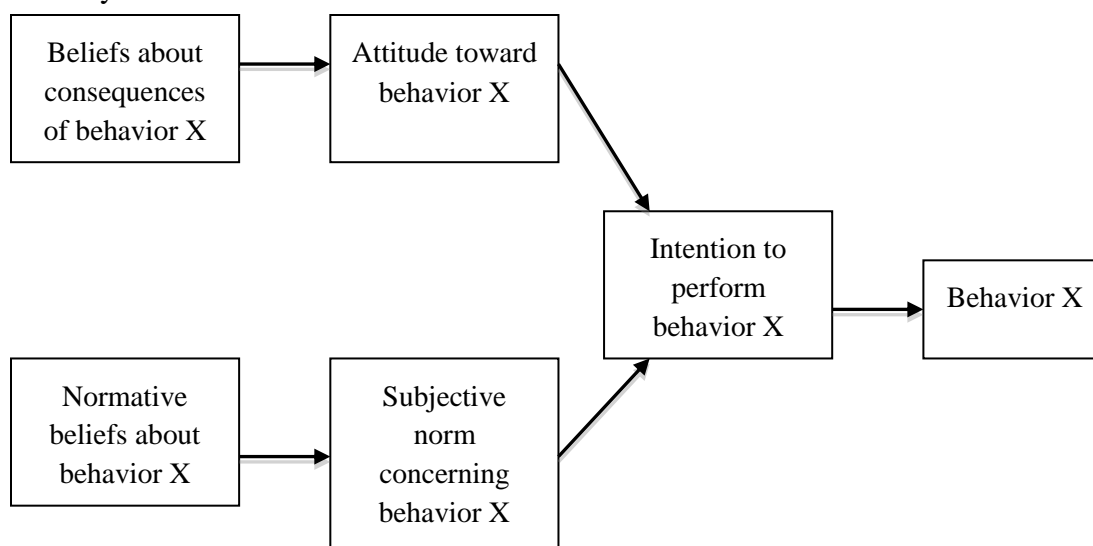


Figure 2.1: Fishbein and Ajzen’s Theory of Reasoned Action (1975).

Figure 2.2 is an adaptation of Fishbein and Ajzen's (1975) original model formatted for this particular study. It describes the factors that may influence the likelihood of a customer to fraudulently return and then ultimately performing the act of fraudulently returning merchandise. The factors being tested are Consumers Beliefs on Returns (Respect of Return Policies, Return History and Seasonal Return Beliefs) and how they impact the consumer's Attitude Towards Returns. Attitude Towards Returns, Consumer Social Norms of Returns, and Store Loyalty and how they impact the consumer's Intent to Fraudulently Return and ultimately committing the Fraudulent Return Behavior.

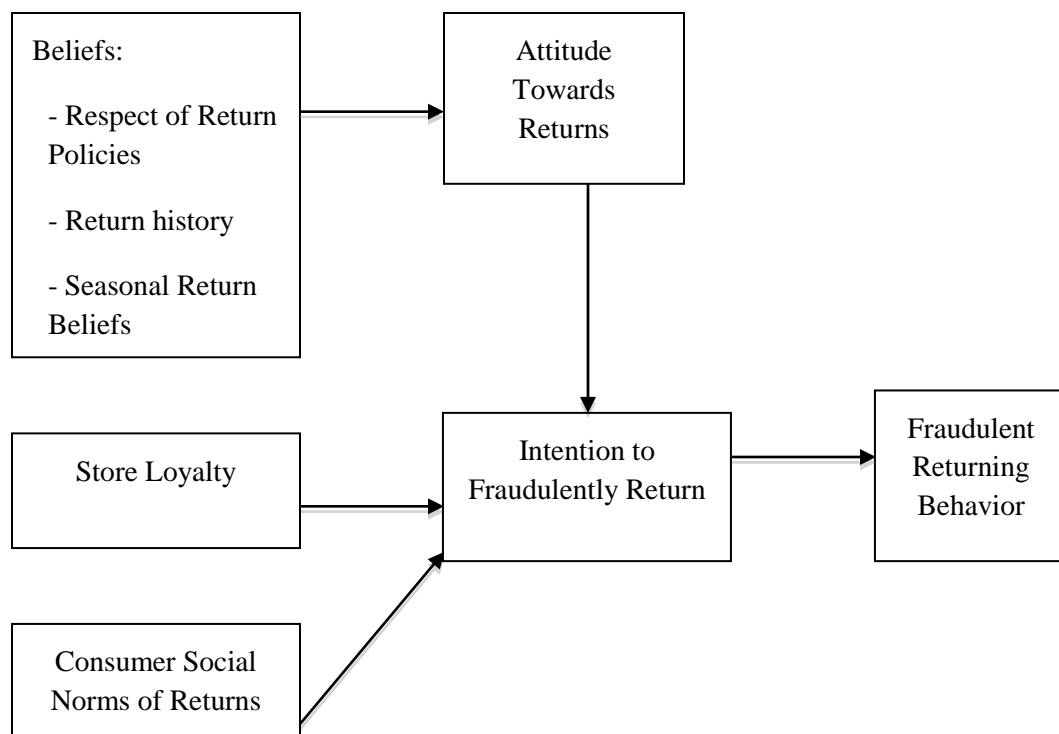


Figure 2.2: Proposed model for factors impacting the behavior of fraudulently returning by consumers.

According to the Theory of Reasoned Action, a behavior is determined by the intention to exude the behavior (Vallerand, Pelletier, Deshaies, Cuerrier, & Mongeau, 1992). This implies that a behavior such as fraudulently returning is determined by the intention to fraudulently

return. This study used the Theory of Reasoned Action by focusing on a moral application of the theory. Both social and personal determinants must be taken into consideration to fully encompass all aspects of the behavior, especially when involving moral issues (Vallerand, et al., 1992). Therefore this study will examine behavioral beliefs, social norms, and store loyalty of the individual consumers in relation to fraudulently returning. “The attitudinal (behavioral beliefs, outcome evaluation, and attitudes toward the behavior)” and subjective norms of the theory represent, respectively, personal and social variables implicated in moral behavior (Vallerand, et al., 1992, p. 100). These variables have little or no research done on them as of now and are important factors to the retail industry today.

Consumer Beliefs on Returns

The factors that influence beliefs about a certain behavior can vary from person to person and therefore trying to understand a certain sector of a population, people who fraudulently return, can be challenging. Thrill-seeking is often a motivation when it concerns moral or immoral behavior, but for this study it is not discussed or tested because of the focus on the beliefs in seasonal returns.

To understand why a consumer may return an item it is helpful to understand why the consumer purchased it initially. The consumer decision-making process may give insight into why a consumer chooses to purchase one item over another. Kwun and Oh (2004) give several factors that help determine the value a customer may place on a product. These variables include brand, price, perceived risk, and variety-seeking (Kwun & Oh, 2004). Customer value is important for the retailer to maintain because it is the reason the customer chooses to shop at one retailer over another. The brand name can give a customer the belief that he or she is buying

something of quality, even if he or she does not know much about that particular item (Kwun & Oh, 2004). The price of a product also influences the perceived quality of an item. In the high-end retail sector of the industry a consumer may expect to be paying the highest price for the best product, and with this purchase he or she may expect the perceived status to accompany the price. Many consumers base the idea of an item being “high priced” on their initial ideas of what it should cost and adjust their beliefs from there (Kwun & Oh, 2004).

The consumer decision-making process is greatly influenced by perceived risk (Kwun & Oh, 2004). A consumer is less likely to purchase a product that he or she knows nothing about, so through advertising many companies try to limit the risk a consumer feels when faced with an unfamiliar purchase decision (Kwun & Oh, 2004). Lastly, the variety-seeking behavior of a customer is based on past purchases of that customer (Kwun & Oh, 2004). He or she makes a current decision based on a past decision and how satisfied he or she was with that decision.

These aspects of consumer decision-making are useful when analyzing why a customer chooses to purchase an item and then fraudulently return the item at a later date, especially in the high-end sector of the retail industry, because this knowledge can help connect the factors that increase the proclivity to fraudulently return merchandise. Factors that may influence the beliefs about fraudulent returns are the consumer’s consideration of return policies, the return history of a consumer, and the season in which the consumer is buying and returning.

Now that the reasons a consumer makes a purchase decisions are clear, to understand why a person makes a return must be discussed. Dissatisfied customers are the customers that complain most often and can cause the most damage to a retailer’s reputation. To begin with, customers who are dissatisfied with their purchase may complain to the retailer or service

provider. The intensity of the complaint may depend on the amount of money the transaction involved and the price points of the individual items purchased. “Complainers who claimed monetary losses differed significantly from those who had nonmonetary problems with respect to [the] degree of satisfaction with the company’s complaint responses” (Gilly & Gelb, 1982, p. 325). This may have an impact on high-end retailers because of the high price point of the merchandise involved in many transactions. This may also affect the dollar amount reimbursed to the customer. The more money a customer is reimbursed the higher the degree of satisfaction the customer feels with the complaint resolution (Gilly & Gelb, 1982). Understanding the tendency for people to have the feeling of satisfaction with a return may be a driving factor for consumers to fraudulently return to high-end fashion specialty retailer. This may cause large financial losses for the retailer, but the retailer may chose to lose money over the potential loss of a customer.

All of the information presented above argues how a consumer chooses to act when making a purchase decision. It is the argument that the higher the beliefs of a consumer, the lower the attitude toward fraudulent returns, therefore:

H1: The consumer beliefs of returns will negatively influence the consumer’s attitude toward returns.

Return policies vary from one retailer to the next and it is the retailer’s duty to find the perfect balance between having a customer-friendly return policy and having a policy that will protect the company from fraud. There is very little information available regarding return policies in consideration of people who fraudulently return merchandise, but to understand return

policies and how they affect the business it is necessary to look at what information is provided about return policies in general.

To begin with, it is helpful to understand the different classifications of return policies that are in use today. The most generous return policies offer unconditional refunds at wholesale/retail price for returned products, and the less generous return policies accept no returns by any means or impose restrictions for returning (Yu & Wang, 2008). Return policies have been proven to affect the product sales and operating costs of a business. “A loose returns policy can stimulate customer’s buying decisions to leverage sales volume; nevertheless, it can also increase the number of return transactions that incur more handling and logistic costs” (Yu & Wang, 2008, p. 1575). Lastly, a partial return offers store credit, or a percentage of the selling price for the returned product and some restrictions may be implemented. Their restrictions include unused products only, time limit for returning, return in original package, etc (Yu & Wang, 2008). Therefore, it is important for customers to be aware of the return policies of the store they are frequenting, and it is important that the retailers are aware of who is visiting their stores and how often he or she is returning merchandise.

A necessary piece of information that many retailers have not tried to obtain or have not obtained well from their consumers is demographic information. Customer demographic and transaction-based characteristics are important for the retailer to classify customers and choose the appropriate return policy for the store (Yu & Wang, 2008). All of the information from a consumer can be classified into a few groupings: demographic data, transaction data, and product data. The demographic data includes gender, age, education, income level, etc (Yu & Wang, 2008). Transaction data contains the detailed product purchasing and returning records, and is strongly related to the product dimension. Lastly, the product dimension includes product type,

price, size, level of customization, and the ease of operation as data elements that may affect customers return patterns (Yu & Wang, 2008).

The understanding of the decision to choose or create a return policy is more intricate than most consumers realize and there is no, if not limited, information on how consumers take these return policies into account when shopping. This knowledge draws into question the idea that if a consumer has detailed knowledge of return policies, it seems likely that such information provides the consumer with insights into means through which the rules and regulations can be interpreted to their advantage (Harris, 2008). Therefore, the more a consumer knows about a store's return policy the more likely he or she is to fraudulently return, thus:

H1A: The consumer's respect of return policies will positively influence the consumer's attitude toward returns.

There has been limited research done on the return history of consumers. Data concerning how returns affect retailers have been found, but data specifically concerning particular consumer's return history is not readily available. Returning a product is part of post-purchase behavior and this behavior can be conceptualized as a process in which a consumer compares his or her expectations before the purchase and how their expectations were met after the purchase (M. Kang & Johnson, 2009). Factors such as product-related variables, consumer's personal characteristics, and variables associated with the store may influence the post-purchase behavior of a consumer (M. Kang & Johnson, 2009). "Customer returns routinely reduce the profitability of retailers by 4.3 percent and that of manufacturers by 3.8 percent" (M. Kang & Johnson, 2009, p. 37). Further analysis of consumer behavior involving returns needs to be conducted to fully understand consumer intentions.

M. Kang and Johnson (2009) also found that buying impulsiveness and the consideration of return policies were positively related to frequent apparel return behavior. “Buying impulsiveness is defined as a consumer’s tendency to make spontaneous, unreflective, and immediate purchases” (M. Kang & Johnson, 2009, p. 40). The lack of in-depth analysis of the merchandise being purchased frequently leads to more frequent returns because once the customer has the time to think about the item, he or she decides it is not necessary to keep it. M. Kang and Johnson (2009) found that the consideration of return policies was significantly and positively correlated with the frequency of apparel returns. The consideration of return policies of the retailers was also a factor that was related to the frequency a customer returns items to a retailer, hence:

H1B: The consumer’s history with returns will positively influence the consumer’s attitude toward returns.

No information has been found on how the beliefs of seasonal returns affect the consumer’s return habits, however, there is some information on which seasons customers shop the most. During the Thanksgiving through New Years Day holiday season, upwards of 50% of retailers annual sales revenue is obtained (Jones, 1995). Although this information was collected in 1995, it is still relevant for today’s economy because of a similar economic climate. High unemployment, continued layoff announcements, and low consumer confidence levels were some of the most influential reasons for disappointing holiday sales due to the recession which had begun in mid-1990 (Jones, 1995). A similar economic climate in 2010 may affect shopping during the holiday season. Retailers should take into account the customer’s feelings toward hordes of disgruntled shoppers, especially when there is congestion at the cash register.

During a recent seasonal study, evidence supports seasonality in shopping habits. “It can be notice that major seasonally effects exists in December-January and July-August periods” (Arneric, Jurun, & Kordic, 2009, p. 638). Also, there is an increase found in the dollar amount spent during December and a decrease in January. This change in spending is due to the large influx of spending in the previous month (Arneric, et al., 2009). Although this information was obtained in Croatia, it is related to the United States because the citizens of Croatia celebrate the same holidays as the citizens of the United States.

There is little information focused specifically on seasonal return beliefs of consumers and their return habits. The following hypothesis focuses on the seasonal return beliefs of the consumer and how they affect the consumer’s attitude toward returns.

H1C: The seasonal return beliefs have a positive influence on the consumer’s attitudes toward returns.

Attitude Towards Returns

Attitudes toward fraudulent returns and returns in general vary from consumer to consumer. It is difficult to make one blanket statement covering all aspects of returns. Some consumers do not return merchandise because they feel it is not easy and sometimes unnecessary. Other consumers feel it is their right as consumers to get exactly what was paid for, and if the item does not turn out as expected, he or she should be able to return it for a full refund. Also, there are consumers who take advantage of the good nature of the retailer because he or she thinks that the retailer is trying to rip them off and therefore it is fair game for them to do the same. It is difficult to find research covering consumer attitudes toward fraudulent returns

but there has been research conducted involving returns in general and what influences how a consumer feels about them.

Folkes (1984) discusses the case of product failure and how it affects consumers and their emotions toward returns. The cause of product failure can be categorized under one of the following: “stability (whether it is temporary or fairly permanent), locus (whether it is consumer- or firm-related) and controllability (whether it is under volitional control or it is constrained)” (Folkes, 1984, p. 399). These levels of failure lead into what a consumer expects from a return. Some consumers expect to be refunded for the full amount of the product when there is a stable reason for product failure (Folkes, 1984). When the consumer believes that the product will fail again then he or she is more likely to believe a full monetary refund, however, when the consumer expects that the product failed because of unusual reasons then he or she may be more willing to accept an exchange (Folkes, 1984). These findings help support the idea that consumers generally are not attempting to defraud the company, they just want the product to work as expected.

The following hypotheses poses that the stronger the consumer’s attitude against returns is, the more likely he or she cares about fraudulent returns, the less likely he or she will intend to perform one, therefore:

H2. A consumer’s attitude toward returns will negatively influence the consumer’s intention to fraudulently return.

Consumer Social Norms of Returns

Social norms have played a role in society and the way in which consumers have behaved for decades and it is not unreasonable to imagine it will play a roll in fraudulent returns.

Conspicuous consumption is a term that was coined more than a century ago by economist Thorstein Veblen from the University of Chicago (Deacon, 2002). Now the term has become popular to describe the types of purchases made by individuals (Deacon, 2002; Evarts, 1999; Frank, 1999; Penn, 2010; D. Scott, 2010; Sivanathan & Pettit, 2010).

In the book *Luxury Fever*, Frank discusses many aspects of conspicuous consumption ranging from what people are consuming, how their money could be used in other ways to benefit society, and why people conspicuously consume (Frank, 1999). The factors of how the money could be used to benefit society are interesting, but do not apply to the topic being discussed here. It is clear that one of the main drives for conspicuous consumption is the desire of an individual to fit in with the group of individuals whose status is deemed to be superior to the current social status of the individual. Evarts focuses on a few good points made by Frank including “people at all income levels indulge in conspicuous consumption to keep up with their neighbors,” and also “the conspicuous consumption of the rich puts pressure on the middle class and the poor who can’t afford it” (1999, p. 1). The lack of income to purchase the desired goods may lead to desperate behavior in which the consumer attempts to defraud the retailer.

Social norms are defined in the fraudulent sense by Harris (2008, p. 467) as “the extent to which fraudulent returning is perceived by consumers as normal, non controversial, and ethically acceptable within their social circle.” Harris (2008) argues that fraudulent returning, if not viewed as unethical or out of the ordinary by one’s peers, is more likely to occur. The consumer may not only seek the approval from his or her peers, he or she may learn to fraudulently return from peers. Harris (2008, p. 467) found that “particular types of illegitimate complainers learn fraudulently to return or illegitimately to complain from observing and then copying the actions of close family members.”

This desire to fit in and be a part of the upper class has driven many consumers to purchase products outside of their means. To gain access into this luxury world consumers desire and strive to obtain items not for the utilitarian purposes of the item but for the purpose of display and gain status from the item (Hirshleifer, 1999). Also, it is a commonly accepted belief that people care about their status among others and try to obtain higher status (Sivanathan & Pettit, 2010). This desire can lead to desperate acts by consumers and although recently the economy has made it harder for people to spend lavishly, consumers are finding a way to obtain the goods they want by driving people to search for deals ("Is Shopping Behavior Permanently Muted?," 2010). This switch to deal-seeking may lead to consumers purchasing an item, getting the benefits they seek from it, and then returning it for a refund. This behavior will allow the consumer to acquire what they want from the product, the social status, but not at the original cost.

Psychographic characteristics also influence the social norms of an individual. Why one behaves a certain way, what drives a person to dress or speak a certain way, and what does an individual think he or she is receiving by acting in such a manner are a few of the things that have led to this form of research. The “society” an individual acts in is defined as “individuals interacting over time: acting with one another in mind, adjusting their acts to one another as they go along, symbolically communicating and interpreting one another’s acts” (Charon, 2004, p. 160).

Human beings are social creatures that learn social interactions throughout development. The perspectives of individuals are based not only on what the individual thinks and knows, but are also products of our social worlds (Charon, 2004). Individuals try to attain certain goals in a situation by searching for items and objects that define certain aspects of the environment

(Charon, 2004). “We label objects with symbols; we discuss objects with one another; we come to develop ideas about what they are and how they are to be used; and we carry these ideas in our heads from situation to situation” (Charon, 2004, p. 122). Realizing these objects can help the individual obtain the type of end result he or she wants. One end result may be obtaining the social status an individual desires. “If I dress for others as well as for myself, then my choice of clothes is social action” (Charon, 2004, p. 139).

Individuals break down their reason for the decisions they make into steps to help rationalize the “why” of why he or she decides to act. The first step is “free choice,” meaning the “individual wanted to do it; the individual chose to do it” (Charon, 2004, p. 125). The next step is considered “personality,” meaning the individual did it because that is the way he or she is, was brought up, or because of the traits imbedded in his or her personality (Charon, 2004). Lastly, the third step is the “social environment,” meaning “the individual did it because of society, social forces, groups, or other people” (Charon, 2004, p. 125). The reason a person justifies a decision varies from situation to situation, and it is hard to understand and discuss every variable. Therefore this study focuses on social norms in general and how they affect the intention to fraudulently return.

Sororities are an excellent example of how one’s surroundings can affect one’s actions. A girl’s self-image is very much influenced by interactions within a sorority (Risman, 1982). Risman (1982, pp. 233-234) also argues that “one’s self-concept is developed through interaction with others, and all significant others belong to one cohesive social group, that group’s norms and values become singularly influential for the individuals involved.” It can be argued that if one sorority member shops at high-end fashion specialty retailer then she may influence other members to shop at high-end fashion specialty retailer. Also, sororities emphasize appearance as

an important factor. Even before a girl is a member of a sorority, she is being advised on how to dress for the recruitment process, also known as “rush” (Risman, 1982).

The focus on appearance and dress may be stressful and puts undo pressure on the members of the sorority to dress the part of a wealthy member even if she is not. Risman (1982, p. 236) interviewed a number of sorority members and one member was noted saying “money” is the main thing that distinguished her sorority from others, “In my house everyone is from middle, upper-middle class backgrounds.” Although it is unnecessary for members of sororities to be wealthy and come from wealthy families, it is a common factor. This display of wealth by some members may pressure members who are not as wealthy to find alternate ways to obtain the clothing and materials to give the image that they are. This potentially could lead to girls purchasing unaffordable clothing items to wear them for the social status and returning them to get their money back.

The above arguments may support the idea that social norms affect a consumer’s likelihood to fraudulently return. Therefore the more the individual’s social peers approve (or disapprove) of a behavior, the more likely she acts on that behavior, thus:

H3: The social norms of the consumer will positively influence the consumer’s intention to fraudulently return.

Store Loyalty

Another factor that has interested many retailers is customer loyalty. Store loyalty is defined as “the conscious buying behavior of a consumer expressed over time with respect to one store out of a set of stores and which is driven by commitment to this store” (Odekerken-Schroder, et al., 2001, p. 311). The most difficult issue for retailers to maintain during difficult

economic times is customer service, especially those that sell discretionary or luxury items (Grewal, Krishnan, & Lindsey-Mullikil, 2008). If a customer is loyal to a retailer it is because he or she has had good experiences with the retailer in the past, and the customer feels that he or she will continue to have good experiences.

Also, some retailers offer rewards for customer loyalty. According to Grewal, et al. (2008) Neiman Marcus and Nordstrom attempt to provide the highest levels of customer service, as well as enhanced service levels, based on customer spending levels. An example of this is the loyalty InCircle program at Neiman Marcus. A customer who spends \$5,000 becomes a member of the loyalty program and he or she can earn points redeemable for extra benefits and rewards such as complimentary gift wrapping, double points on purchases made on his or her birthday, and requests of tickets to sold out concerts (Grewal, et al., 2008). These loyalty programs and benefits influence the decisions of a customer to shop at a particular retailer, but do they influence the amount of merchandise returned there, or do they dissuade someone from fraudulently returning there? This study hopes to discover the answers to these questions. This information poses the following hypothesis:

H4: The store loyalty of the consumer will negatively influence the consumer's intention to fraudulently return.

Intention to Fraudulently Return

The intention aspect of the Theory of Reasoned Action is greatly influenced by the subjective norms and the attitude aspects of the theory, and in turn predicts the overall behavior (White, Smith, Terry, Greenslade, & McKimmie, 2009). Fishbein and Ajzen (1975) argued that although there is generally a strong relationship between the intention to perform a behavior and

actually performing a behavior, the strength of the relationship tends to vary over different topics and different populations. According to Prestwich, Perugini, and Hurling (2008) behavioral intentions fail to explain over 70% of the variance in the behavior. This behavioral gap between the intention to behave and the behavior is attributed to people who intend to act but fail to do so, rather than those who do not intend to perform a particular act but subsequently do (Prestwich, et al., 2008). Although in this study it may be the opposite. A consumer may have no intention of fraudulently returning an item when it is purchased, but through some event the consumer ultimately does fraudulently return.

Also another contributing factor to the intention to perform the behavior is the anticipated regret associated with the behavior (Prestwich, et al., 2008). The beliefs about whether or not the feelings of regret will arise through the behavior have been argued to increase the relationship between intentions and behavior (Prestwich, et al., 2008). In some cases it is the fear of regret of not performing the behavior that frightens some consumers, but in the case of fraudulent returns it may be the fear of actually performing the behavior that frightens the consumer. However, the intention to perform a behavior arguably leads to the actual performance of the behavior and therefore:

H5. The intention to fraudulently return will positively influence fraudulent returning behavior.

Fraudulent Returning Behavior

The study of fraudulent returns has been a topic of interest for many years, mainly focused on the dollar amount that is or potentially could be lost through shoppers who return merchandise that has been used or stolen to get money in return. These studies usually appear

around the December holiday season. Returning stolen merchandise is the most common form of return fraud, which 95.2 % of retailers have experienced in the last year (Willett, 2006).

There have also been studies done on the demographic factors of customers who fraudulently return and on the psychographic factors of some customers more inclined to fraudulently return as opposed to others. Harris (2008) found that “the sex, age, and education of those admitting fraudulent returning are different from those consumers who claimed not fraudulently to return.” Harris (2008) also found factors that relate to the proclivity, or inclination, of a consumer to fraudulently return. “Knowledge and experience of fraudulent returning, complaining related issues (such as, attitude toward complaining), as well as psychological orientations (such as public self-consciousness) were all found to be associated with fraudulent returning proclivity” (Harris, 2008, p. 472).

Harris (2008) did not review how satisfaction or dissatisfaction can affect the behavior of a consumer, but it is necessary to mention. Once a customer is dissatisfied there are three possible means of response he or she can express (Hunt, 1991). The first response possibility is the “voice,” in which the customer verbally expresses dissatisfaction with the retailer (Hunt, 1991). The second response possibility is the “exit” in which the customer is so dissatisfied he or she decides not to purchase from that retailer any longer (Hunt, 1991). Lastly, the “retaliation” response means that the customer is significantly effected by the response of the retailer and chooses to even the score by intentionally harming the retailer (Hunt, 1991). Each of these response decisions can occur with different levels of intensity, depending on how dissatisfied the customer is. These response levels demonstrate that a customer has an enormous amount of power to obtain the end result he or she wants from a complaint, even if the complaint is fraudulent and unwarranted. Distinguishing between fraudulent complaints and legitimate

complaints will help the retailer maintain profits, but it can be risky at the loss of goodwill with other consumers.

Chan and Wan (2009) also discuss the possibility of losing goodwill through negative word-of-mouth. They consider the “concern for face (CFF)” and the “belief in fate (BIF)” as integral parts of a customer’s proclivity to complain (H. Chan & Wan, 2009). The “concern for face” of a customer lowers the likelihood that a customer will voice a complaint but increases the likelihood to spread negative word of mouth (H. Chan & Wan, 2009). Customers with a high “belief in fate” lessens the likelihood of negative word of mouth because the customer believes that the circumstance is out of his or her control (H. Chan & Wan, 2009). These customer characteristics may play important roles in the intensity of complaints to a retailer and the extent to which they give the retailer negative word-of-mouth. Retailers generally honor returns even if they are expected to be fraudulent in fear that the customer may harm the image of the store if the return experience is bad.

While Harris (2008) conducted two surveys, one on demographic factors and one involving psychographic factors on fraudulent return proclivity of consumers in the United Kingdom, there has been little research done on fraudulent returns, who commits fraudulent returns, and why they happen in the United States. This leaves ample amount of room for further research to help this financially critical aspect of the retail industry. Also the high-end sector of the retail industry is often excluded from many discussions of fraudulent returns. This is another area that needs to be studied further.

Conceptual Definitions

1. **Conspicuous Consumption**—“the purchase of lavish material goods for the purpose of displaying wealth” (Penn, 2010, p. 26).
2. **Dissatisfaction**—“if one does not get what one expected, the expectation is said to be disconfirmed. A negative disconfirmation, that is, when actual is not as good as expected, results in dissatisfaction” (Hunt, 1991, p. 109).
3. **Fraudulent returning**—“refers to consumers taking back goods to a retailer knowing that such a return is contrary to the firm or legal rules and regulations governing such returns (including returning functional but used or consumer-damaged goods)” (Harris, 2008, p. 461).
4. **Fraudulent Return History**—the past experience of a consumer with fraudulent returns
5. **Luxury brands**—“a good for which demand increases more than proportionally as income rises, contrast to a "necessity good" for which demand increases less than proportionally as income rises” ("Luxury Good," 2010).
6. **Proclivity**—“the extent to which consumers are inclined, favorably disposed, or have a propensity to return goods fraudulently” (Harris, 2008, p. 465).
7. **Respect of Return Policy**—how the consumer takes the return policy of a retailer into account when making a purchase, and how aware he/ she is of the return policy
8. **Satisfaction**— “if one gets what one expected, then one is satisfied” (Hunt, 1991, p. 109)

9. **Season**— One of the four periods of the year (spring, summer, autumn, and winter), beginning astronomically at an equinox or solstice, but geographically at different dates in different climates (Dictionary.com, 2010).

10. **Social Norms**— Behavior patterns by which groups of people act, and which serve as social regulation informal controls (Ask.com, 2010).

11. **Store Loyalty**—a consumer is loyal to a store when he/ she is highly attached to, speaks highly of, and how often visits a particular store or retailer.

12. **Sorority**— “In American colleges, a student society formed for social purposes, into which members are initiated by invitation and occasionally by a period of trial known as hazing” (“Fraternity and Sorority,” 2010).

CHAPTER 3

METHODS AND PROCEDURES

Sample

This study was based on a convenience sample survey of the seventeen sororities classified under the Pan-Hellenic Council of a Southeastern University. These sororities were chosen out of convenience for the researcher. The Southeastern University was used as the location of data collection because sororities are more common at large public land-grant schools (J. F. Scott, 1965). After the Institutional Review Board (IRB) approved the study a pre-test of the survey was given to 26 students, faculty, and friends of the researcher to check for any ambiguous wording and unnecessary questions. The pre-test included men because the sample for this study originally aimed to include men, however after further IRB approval the sample was changed to include only sorority women. After corrections were made to the survey the researcher contacted presidents of the seventeen sororities under the Pan-Hellenic Council to arrange times to speak to their sorority chapters. The times arranged were before and during their chapter meetings that occurred every Monday evening. Also, to obtain a broader sample, the survey link was distributed over the sororities' email list to gain responses from the members that did not attend chapter meetings. Out of the 17 sororities located at the University under the Pan-Hellenic council all of them were contacted through e-mail and the researcher personally visited nine. Only nine were visited in person because of time constraints and schedule conflicts with the sororities speaking opportunities

Administration of the Instrument

This study used a convenience sample of 352 sorority women who shop at high-end fashion specialty retailer such as: Bloomingdale's, Nordstrom, Neiman Marcus, and Saks Fifth Avenue. The survey was not limited to these retailers, however. These stores were used because of their well-respected names throughout the retail industry and because of the reputation of each for carrying high-end merchandise. The respondents of the survey were also given the opportunity to write down any stores similar to the ones above that they shop at frequently. No Internet websites for retailers were accepted because brick and mortar stores remain the preference of consumers over online stores and catalogs (Grewal, et al., 2008). High-end apparel is sold on a limited basis online to maintain exclusivity, and therefore brick and mortar retailing continues to be the dominant form of retailing for high-end apparel especially with Neiman Marcus and Nordstrom (Grewal, et al., 2008). Therefore the survey was administered to customers who shopped in the physical stores and not online. Although men and women of all ages are equally likely to over-shop and over-spend, for the convenience of this study only women were surveyed (Shulman, 2009). The customer service department of each fashion specialty retailer was contacted to obtain information on the fashion specialty retailer's return policies and customer loyalty programs. This information was used to format the questions used in the survey. The survey in its entirety can be found in Appendix C.

The survey was comprised of nine sections. Participants' names were not collected to ensure anonymity. Next, the customer was asked to identify which, if any, fashion specialty retailer she patronizes. There was also a free response space for the customer to enter a store that she patronizes frequently and believes to be high-end that may not be listed. If the participant

marked “NONE” the consumer’s responses were disregarded at the end of the survey, but the consumer was not informed of this.

The first section was formatted based on the survey used by Harris (2008) in which the questions were asked to determine the fraudulent returning activity of the customer without saying it outright. For example, the first four statements such as “I have a lot of experience of getting refunds when returning products that I’ve used or I’ve broken” or “ I have been involved in lots of returning of products that I know were used” were used to understand the customer’s past experience with fraudulent returns and the customer was asked to rate on a five-point Likert-type scale, from (1) “Strongly Disagree” to (5) “Strongly Agree,” with how she feels about the statement. Statements 5-10 were used to understand the proclivity of the consumer to fraudulently return. For example “I often return goods after using them,” and “I often return products that I know I have broken,” are used to determine the consumer’s proclivity to fraudulently return. Again, the consumer was asked to rate how well the statement represents her and circle “5” for “Strongly Agree” or “1” for “Strongly Disagree.”

The second section of the survey was based on the consumer’s knowledge of the retailer’s return policies and how much the consumer respects the policies or not. Statements such as “I know most stores’ rules about returning products and I follow them” and “I know a lot of circumstances under which stores can refuse to give a refund for a returned product” were asked and the customer was asked to rate on a five-point Likert-type scale, from (1) “Strongly Disagree” to (5) “Strongly Agree,” regarding how she feels about the statement. These statements are also based on the survey used by Harris (2008).

Section Three, Consumer Social Norms of Returns, was used to understand how strongly the customer feels about the opinion of his or her peers. Statements such as “My circle of friends do not approve of returning products that they have used or damaged” and “My family does not approve of returning used products” were used to understand the emotional ramifications attached to a customer’s desire to fit in with her peers. These statements were also based on the survey questions used by Harris (2008). The customers are asked to respond to the statements on a five-point Likert type scale ranging from (1) Strongly Disagree to (5) Strongly Agree.

Section Four was focused on the Seasonal Return Beliefs of the consumer. Statements such as “I return items during the winter months more often than the summer months” and “I return items that were given to me more often than items I purchased myself” were used to understand if most returns happen during the holiday season as the result of an unwanted gift, or was the customer returning something she purchased for herself. The customer was asked to rate on a five-point Likert type scale, from (1) “Strongly Disagree” to (5) “Strongly Agree,” regarding how she feels about the statement.

Section Five strives to understand the impact of a customer’s Store Loyalty and how often she returns to that store. Adaptations from Beer and Watson (2009), Heere and Dickson (2008), and Omar and Sawmong (2007) provided questions for section five. For example, statements such as “I consider myself a committed patron to my favorite specialty goods store,” and “I might rethink my allegiance to my favorite fashion specialty retailer if the store consistently performs poorly,” were originally used to test for loyalty to sports teams, but variations of their survey questions were used to test for store loyalty. Also, scales such as “I consider myself a loyal person,” and “I would recommend this fashion specialty retailer to

friends” were asked to the customer and rated on a five-point Likert type scale, from (1) “Strongly Disagree” to (5) “Strongly Agree,” how she feels about the statement.

Section Six focuses on the Intention to Fraudulent Return. The questions are based off of Harris (2008) survey questions involving fraudulent returns, but modified to include the intention. The questions are formatted on a five-point Likert type scale ranked (1) “Strongly Disagree” to (5) “Strongly Agree,” to describe how she feels about the statement. An example of the statements is “I intend to return goods after using them.”

Section Seven, Consumers Beliefs on Returns, focuses on the consumer’s beliefs about returning merchandise. Questions adapted from Francis, Stockton, Eccles, Johnston, Cuthbertson, Grimshaw (2009) were used to discover what the consumer believes about returning merchandise. For example, “How confident are you about returning merchandise?” was asked with a Likert-type response of (1) “Not Confident” to (5) “Very Confident.” Also, “Do you feel the benefits of returning merchandise outweigh the hassle?” was asked with a five-point Likert type scale ranking from (1) “Strongly Disagree” to (5) “Strongly Agree,” to describe how she feels about the question.

Section Eight, Attitude Towards Returns, was provided to further understand the consumer’s attitude toward returning merchandise. The majority of the questions were created by the researcher, such as “I enjoy making returns,” and “I feel good about receiving money in exchange for merchandise I no longer need.” These statements used a Likert-type response scale of (1) “Strongly Disagree” to (5) “Strongly Agree.” Bulgurcu, Cavusoglu and Benbasat, (2010) provided the basis for “To me complying with store policies is:” with two Likert-type response

scales to rank the (1) Necessity and (2) Importance of the statement. The responses for these two statements were ranked on a scale of (1) “Strongly Disagree” to (5) “Strongly Agree.”

Section Nine, demographic questions, was given to each consumer to better understand who is shopping and returning high-end apparel items. Sex, age, marital status, and education level are the demographic characteristic scales I obtained from the Harris (2008) study, with categories obtained from the Census Bureau (2000). The scale used for the income ranges was taken from the Salary.com website ("Jobs by Salary Range," 2010). Also, the customer's hometown city and state was requested so if a different retailer was listed at the beginning of the survey it would be easy to locate and research to determine if it is high-end. Knowing these factors will give a clearer picture of who is purchasing at high-end fashion specialty retailer.

Three hundred fifty-two surveys were collected. Even though some surveys were not completed entirely these were not dropped from the analysis because some answers were important to the analysis of the individual variables. Out of the 352 responses 57 respondents marked “None” for the second survey question of “Please indicate all of the following (if any) fashion specialty retailer in which you shop. If a choice is not available please indicate ‘Other’ and in the space provided indicate the missing retailers.” Out of the respondents who marked “Other” only three responses are classified as high-end fashion specialty retailer. The remaining respondents that marked “Other” were dropped from the data analysis leaving a total of 295 usable surveys. The additional high-end fashion specialty retailers were Bergdorf Goodman and Barneys of New York. Twenty-two surveys were also removed because the surveys were not completed, leaving a total of 273 surveys to analyze which was a 77.5% response rate.

Analysis

Questions were formatted with the intent of analyzing causality using regression analysis.

Figure 3.1 below is a graphical representation of the variables being tested. The independent variables (Beliefs, Consideration of Return Policies, Return History, Seasonal Return Beliefs) were tested with the dependent variable Attitude Toward Returns. Then Independent variables Attitude Towards Returns, Social Norms and Store Loyalty were tested with the dependent variable Intention to Fraudulently Return. Lastly, the independent variable Intention to Fraudulently Return was tested with the Fraudulent Returning Behavior dependent variable. Summated scores for Beliefs, Consideration of Return Policies, Return History, and Seasonal Return Beliefs were used to test the relationship with a summated score of Attitude Towards Returns. Also, the summated scores of Attitude Towards Returns, Social Norms, and Store Loyalty were tested with the summated score of Intentions to Fraudulently Return. Lastly, the summated score of Intentions to Fraudulently Return was tested with the Fraudulent Returning Behavior summated score.

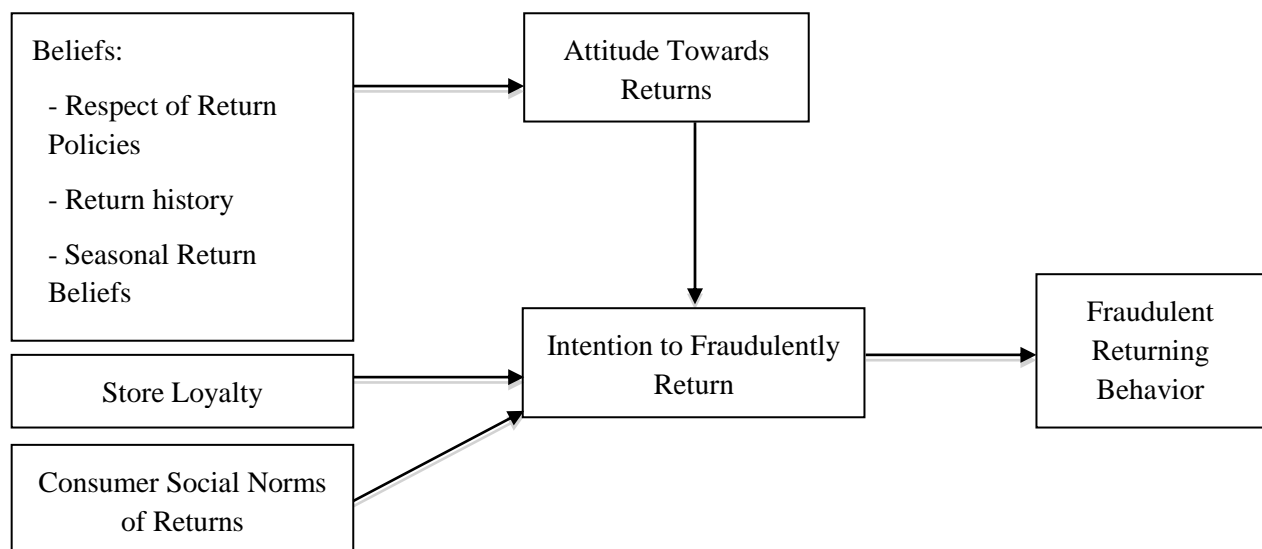


Figure 3.1: Model for factors impacting the behavior of fraudulently returning by consumers.

CHAPTER 4

RESULTS

The objectives of this study were to determine the impact Consumer Beliefs on Returns (Respect of Return Policies, Return History, and Seasonal Return Beliefs) have on the Attitude Toward Returns and how the Attitude Toward Returns affects the Intent to Fraudulently Return, ultimately affecting Fraudulent Return Behavior. Also, this study aims to determine the impact that Social Norms, and Store Loyalty have on the Intent to Fraudulently Return and ultimately the Fraudulent Returning Behavior.

Respondent Demographics

The respondents' demographic characteristics are found in Table 4.1. Out of the 273 usable surveys 100% of the respondents were female. This was an expected outcome since the population sample was sorority members at a Southeastern University. The majority of respondents fell between the ages of eighteen to twenty-four (77.3%). Only two respondents were older than twenty-five. None of the respondents were between the ages of thirty-five to forty-four or above the age of fifty-five. Younger respondents were expected because the majority of the women that participate in sororities at the University are traditional college women who are still in college and use the sorority as a social outlet. The two older respondents possibly answered the survey because they are nontraditional students or recent alumnae.

The majority of the respondents come from household incomes above \$100,001 (38.5%). The second most common response to household income was "Less than \$9,000" (12.1%). The

large number of students reporting their household income of “Less than \$9,000” may be because the students are independent from their families and are putting themselves through school, or because there was a misunderstanding of the “household” portion of the question. The income ranges of \$10,000-30,000 and \$30,001-50,000 were very similar in the number of respondents reporting them as the annual household income, 1.8% and 2.2% respectively. Also, the income ranges of \$50,001-80,000 and \$80,001-100,000 were similar in the response rate with 8.1% and 10.3% of the respondents respectively.

The marital status completed by the respondents was almost entirely single with 211 respondents (77.3%). Only one respondent reported being married (.4%) and “Widow/widower” and “Divorced/separated” having no responses. This was expected because of the predominant age of the respondents being between the ages of eighteen and twenty-four and also the majority of the respondents are still obtaining their college degrees.

The education level completed of the respondents was also as expected. There were no respondents reporting “Less than high school” and only one respondent reporting “Post graduate degree/diploma” (.4%). The “High School” and “University Degree” completed had the same number of respondents, sixteen (5.9%). The students marking “High School” as completed may have been new recruits for the sororities that had just begun taking classes at the Southeastern University. The majority of the respondents reported completing “Some university/college” (65.6%). This was expected because of the age range of the women surveyed.

In regards to the city and state that each respondent reported being from was not pertinent to this study. This question was asked in the event that a high-end retailer was listed that the researcher had not heard of in the “Other” section (Question One of the survey). The information

of the city and state of the respondents may have helped locate the retailer to determine if it was considered high-end. All of the retailers that were listed in the “Other” section were well-known the researcher did not need the city and state information.

Table 4.1

Profile of Respondents

		N	Percentage
Age	18-24	211	77.3%
	25-34	1	.4%
	45-54	1	.4%
Income	Less than \$9,000	33	12.1%
	\$10,000-30,000	5	1.8%
	\$30,001-50,000	6	2.2%
	\$50,001-80,000	22	8.1%
	\$80,001-100,000	28	10.3%
	\$100,001+	105	38.5%
Marital Status	Single	211	77.3%
	Married/Live with Partner	1	.4%
Education Completed	High School	16	5.9%
	Some University/College	179	65.6%
	University Degree	16	5.9%
	Post Graduate/Diploma	1	.4%

Note: Due to missing data the number of respondents may not equal 273.

Instrument Reliability

The reliability for this study was determined using Cronbach's Alpha. A summary of the Cronbach's Alphas, means, and standard deviations is listed in Table 4.2. The calculation of Cronbach's Alpha was based on the number of questions in the questionnaire and the average inter-item correlation.

There were three items measuring the Consumer Beliefs on Returns of the respondents about fraudulently returning merchandise to high-end retailers. These items were measured on a 5-point Likert type scale with "1" representing "Strongly Disagree" and "5" representing "Strongly Agree." The Cronbach's Alpha for this variable was measured at .791. The Alpha measure is above the standard of reliability .70 and was satisfactory.

The Return History was measured by four items on a 5-point Likert type scale with "1" representing "Strongly Disagree" and "5" representing "Strongly Agree." The Cronbach's Alpha for this variable is .761 is above the standard of reliability .70. The Alpha could be increased to .781 by the deletion of item four, but this item is important to analysis of the Return History variable and remained in the measure.

The Consideration of Return Policies variable was measured using five items. These items were also on a 5-point Likert type scale with "1" representing "Strongly Disagree" and "5" representing "Strongly Agree." The Cronbach's Alpha for this variable was .622 using all five items to measure the reliability. The deletion of item three, "I know most stores' rules about returning products and I follow them," and item five, "I take the stores' return policies into consideration when deciding to purchase a product," made the Cronbach's Alpha much more

reliable at .731, which is above the standard of reliability .70. Items three and five were deleted to make the measure more reliable.

The Seasonal Return Beliefs variable was measured using four items on a 5-point Likert type scale. The Likert scale used was the same as listed above with “1” representing “Strongly Disagree” to “5” representing “Strongly Agree.” The initial Cronbach’s Alpha was .638, which is below the reliability standard of .70. By deleting item one, “I return items during the winter months more often than the summer months,” the Cronbach’s Alpha increases to .663. The deletion of other items would not increase the Cronbach’s Alpha above .70. Item one was deleted to make this measure more reliable even though it does not surpass the reliability standard. The regression analysis of the variable was conducted but analyzed understanding that the reliability of this variable is not as strong as it should have been.

The Consumer Social Norms of Returns variable was measured using four items. These four items were on a 5-point Likert type scale with “1” representing “Strongly Disagree” to “5” representing “Strongly Agree.” The Cronbach’s Alpha of this variable was .817, which is well above the standard of reliability .70. No items were deleted for the variable because the items were reliable.

The Store Loyalty variable was measured using eight items. These items were on a 5-point Likert type scale, just as the ones above, with “1” representing “Strongly Disagree” to “5” representing “Strongly Agree.” The Cronbach’s Alpha for Store Loyalty was .728, which is above the standard of reliability .70. Item number two, “I might rethink my allegiance to my favorite fashion specialty retailer if the store consistently performs poorly,” could be deleted to

increase the Cronbach's Alpha to .771, but the Alpha was already considered reliable. Item number two was not deleted because of its importance to the study.

The Attitude Towards Returns variable was measured using five items. Three of the five items are measured on a 5-point Likert type scale with "1" representing "Strongly Disagree" to "5" representing "Strongly Agree." The other two items are measured on a 5-point Likert type scale ranging from "1" representing "Unnecessary" and "Unimportant" to "5" representing "Necessary" and "Important." The Cronbach's Alpha for this variable was .466, which is well below the standard reliability .70. By deleting items one, two and three the Cronbach's Alpha increased to .924, which is well above the standard reliability .70. For the purpose of the regression analysis items one, two and three were deleted but the answers to these questions were incorporated into the discussion for richer analysis.

The Intention to Fraudulently Return variable was measured using four items. These items were on a 5-point Likert type scale with "1" representing "Strongly Disagree" to "5" representing "Strongly Agree." The Cronbach's Alpha for this variable was .848. This Alpha is above the standard reliability Alpha .70. The deletion of any of the items would not make this Alpha any more reliable therefore no items were deleted.

Lastly, the Fraudulent Returning Behavior variable was measured using six items. These items were also on a 5-point Likert type scale with "1" representing "Strongly Disagree" to "5" representing "Strongly Agree." The Cronbach's Alpha for the Fraudulent Returning Behavior variable was .735. This Alpha is above the standard reliability and is acceptable. The deletion of any of the items measuring the variable does not increase the Alpha and therefore no items were deleted.

Table 4.2

Reliability, Means and Standard Deviations

Section	Cronbach's Alpha	Mean	SD
Consumer Beliefs on Returns	.791*	3.509	.89551
Return History	.761*	2.2684	.88231
Respect of Return Policy	.731*	2.8270	.89916
Seasonal Return Beliefs	.663	3.2676	.89389
Consumer Social Norms of Returns	.817*	2.1575	.85006
Store Loyalty	.728*	3.9187	.50534
Attitude Towards Returns	.924*	4.1522	.87427
Intention to Fraudulently Return	.848*	1.3204	.53506
Fraudulent Return Behavior	.735*	1.6241	.62896

*Reliability based off of Cronbach's Alpha $> .70$

Table 4.3 shows the correlations between the Consumer Beliefs on Returns, Return History, Respect of Return Policies, Seasonal Return Beliefs, Consumer Social Norms of Returns, Store Loyalty, Attitude Towards Returns, Intention to Fraudulently Return, and Fraudulent Return Behavior. A summed score of each of the variables was used for this analysis.

The following variables were correlated with one another with a $p < .01$ level of significance based on a two-tailed test. Respect of Return Policy and Consumer Beliefs on Returns, Consumer Social Norms of Returns and Return History, Store Loyalty and Consumer Beliefs on Returns as well as Respect of Return Policy. Also at a $p < .01$ level Attitude Towards Returns is correlated with Return History, Respect of Return Policy, Consumer Social Norms of Returns, and Store Loyalty. The Intent to Fraudulently Return is correlated with Return History, Consumer Social Norms of Returns, and Attitude Towards Returns at a $p < .01$ level. Lastly, Fraudulent Returning Behavior is correlated with Return History, Consumer Social Norms of Returns, and Attitude Towards Returns at a $p < .01$ level.

Consumer Social Norms of Returns was correlated with Respect of Return Policy at a $p < .05$ level based on a two-tailed test. Also, Store Loyalty is correlated with Return History at a $p < .05$ level. See table 4.3.

Table 4.3

Correlations among the Nine variables (N=273)

	Consumer Beliefs on Returns	Return History	Respect of Return Policies	Seasonal Return Beliefs	Consumer Social Norms of Returns	Store Loyalty	Attitude Towards Returns	Intention to Fraudulently Return	Fraudulent Return Behavior
Consumer Beliefs on Returns	1								
Return History	.004	1							
Respect of Return Policies	.208**	.104	1						
Seasonal Return Beliefs	.044	.081	.032	1					
Consumer Social Norms of Returns	-.086	.400**	-.160*	-.017	1				
Store Loyalty	.184**	.155*	.269**	.106	-.073	1			
Attitude Towards Returns	.057	-.224**	.236**	-.001	-.351**	.214**	1		
Intention to Fraudulently Return	.028	.326**	-.027	.004	.402**	-.128	-.298	1	
Fraudulent Return Behavior	-.031	.489**	.005	.124	.626**	-.096	-.397**	.628**	1

*p<.05 **p<.01

Regression Analysis

A regression analysis was run on the independent variables Consumer Beliefs on Returns, Return Policies, Return History, and Seasonal Return Beliefs and how each affects the consumer's Attitude Towards Returns. A summary of these findings is located in Table 4.4.

H1. The consumer beliefs on returns will negatively influence the consumer's attitude towards returns.

H1 was not supported in this study. Using a summed score of Consumer Beliefs on Returns as the independent variable and the summed score of Attitude Towards Returns as the dependent variable a regression analysis was conducted. The R^2 value of .003 suggested that only .3% of the variance in Attitude Towards Returns is explained by the Consumer Beliefs on Returns of the respondents. The t-value for Beliefs based on a 95% confidence interval is .816 with a significance score of .415 ($p > .05$), which is not significant. Therefore, the Beta of .037 is insignificant as well because it is not significantly different than 0.

H1A: The consumer's respect of return policies will positively influence the consumer's attitude towards returns.

H1A was supported in this study. A summed score of the Respect of Return Policies was used as the independent variable and a summed score of Attitude Towards Returns was used as the dependent variable in the regression analysis. The R^2 value of .056 suggested that 5.6% of the variance in Attitude Towards Returns was predicted by the respondent's Respect of Return Policies. The t-value was 3.475 ($p < .01$) which is significant. Therefore, the Respect of Return Policies variable reliably predicts the Attitude Towards Returns of the respondents. The Beta value of .160 suggests that for every one-unit increase of Respect for Return Policies a .160

increase in Attitude Towards Returns will occur. This is a positive relationship and supports H1A.

H1B: The consumer's return history will positively influence the consumer's attitude towards returns.

H1B was not supported in this study. Although the test is significant the hypothesis predicted that there would be a positive relationship between the two variables, but the test shows a negative relationship. A summed score of the Return History was used as the independent variable and a summed score of Attitude Toward Returns was used as the dependent variable. A regression analysis was conducted. The R^2 value of .050 suggested that 5% of the variance in Attitude Toward Returns is predicted by Return History. The t-value was -3.270 ($p < .01$) and shows Return History has a significant relationship with Attitude. The Beta value of -.108 suggests that for every one-unit increase in Return History a .108 decrease in Attitude Toward Returns will occur.

H1C: The seasonal return beliefs of the consumer will have a positive influence on the consumer's attitude towards returns.

H1C was not supported in this study. The summed score of Seasonal Return Beliefs was used as the independent variable and the summed score of Attitude Towards Returns was used as the dependent variable in the regression analysis. The R^2 value of .000 predicts that the Seasonal Return Beliefs predicts 0% of the variance in Attitude Towards Returns. The t-value of -.008 ($p > .05$) suggests that the Seasonal Return Beliefs does not show a significant relationship with the Attitude Towards Returns variable. Lastly, the Beta value of .000 indicates that an increase in

the Seasonal Return Beliefs will not have an effect on the Attitude Towards Returns. The results of this analysis reveal that H1C was not supported.

Table 4.4

Regression Analysis for Return History, Respect of Return Policies, Seasonal Return Beliefs, and Consumer Beliefs on Returns

Dependent Variable: Attitude Towards Returns			
Independent Variable: Return History, Respect of Return Policies, Seasonal Return Beliefs, Consumer Beliefs on Returns			
Variables	R ²	Beta	t-values
Consumer Beliefs on Returns	.003	.037	.816
Respect of Return Policies	.056	.160	3.475**
Return History	.050	-.108	-3.270**
Seasonal Return Beliefs	.000	.000	-.008

*p<.05 **p<.01 ***p<.001

Also, a multiple regression was used to test whether Consumer Beliefs on Returns, Respect of Return Policies, Return History, and Seasonal Return Beliefs combined together would predict the consumer Attitude Towards Returns. A summary of the findings is located in Table 4.5.

The summed scores of Consumer Beliefs on Returns, Respect of Return Policies, Return History and Seasonal Return Beliefs were used as the independent variable and the summed

score of Attitude Towards Returns was used as the dependent variable in the multiple regression analysis. The R^2 value of .107 predicts that all of the variables predict 10.7% of the variance in Attitude Towards Returns. The t-values for Consumer Beliefs on Returns .036 ($p>.05$), Respect of Return Policies 3.522 ($p<.01$), Return History -3.635 ($p<.000$), and Seasonal Return Beliefs .080 ($p>.05$) indicate that Respect of Return Policies and Return History are significant in predicting the consumer Attitude Towards Returns. The Beta values were Consumer Beliefs on Returns .002, Respect of Return Policies .164, Return History -.118, and Seasonal Return Beliefs .003. These values indicate that a unit increase in Consumer Beliefs on Returns would predict only a .002 increase in Attitude Towards Return, a unit increase in Respect of Return Policies would predict a .164 increase in Attitude Towards Returns, a unit increase in Return History would predict a decrease of .118 in Attitude Towards Returns, and lastly a unit increase in Seasonal Return Beliefs would predict a .003 increase in Attitude Towards Returns.

Table 4.5

Multiple Regression Analysis for Return History, Respect of Return Policies, Seasonal Return Beliefs, and Consumer Beliefs on Returns

Dependent Variable: Attitude Towards Returns				
Independent Variable: Return History, Respect of Return Policies, Seasonal Return Beliefs, Consumer Beliefs on Returns				
Variables	R ²	Beta	t-values	Sig.
Multiple Regression	.107			.000
Consumer Beliefs on Returns		.002	.036	
Respect of Return Policies		.164	3.522**	
Return History		-.118	-3.635***	
Seasonal Return Beliefs		.003	.080	

*p<.05 **p<.01 ***p<.001

A regression analysis was run on the independent variables Attitude Towards Returns, Consumer Social Norms of Returns, and Store Loyalty how each affects the dependent variable consumer's Intention to Fraudulently Return. A summary of these findings is located in Table 4.6.

H2. A consumer's attitude towards returns will negatively influence the consumer's intention to fraudulently return.

H2 was supported in this study. A summed score of the variable Attitude Toward Returns was used as the independent variable and a summed score of Intentions to Fraudulently Return was used as the dependent variable in the regression analysis. The R^2 value of .089 predicts that 8.9% of the variance in Intentions to Fraudulently Return is predicted by Attitude Towards Returns. The t-value of -4.463 ($p < .001$) suggests that Attitude Towards Returns has a significant relationship with Intentions to Fraudulently Return and that Attitude Towards Returns reliably predicts Intentions to Fraudulently Return. The Beta value of -.369 estimates that for every one-unit increase in Attitude Towards returns there will be a .369 decrease in Intentions to Fraudulently Return, therefore hypothesis 2 is supported.

H3: The consumer social norms of returns will positively influence the consumer's intention to fraudulently return.

H3 was supported in this study. A summed score of the Consumer Social Norms of Returns variable was used as the independent variable and the summed score of Intentions to Fraudulently Return was used as the dependent variable in the regression analysis. The R^2 value of .161 predicts that 16.1% of the variance in Intentions to Fraudulently Return is predicted by Consumer Social Norms of Returns. The t-value of 6.327 ($p < .001$) indicates that Consumer Social Norms of Returns reliably predict that Intentions to Fraudulently Return and have a significant relationship. The Beta value of .255 indicates that a one-unit increase in Consumer Social Norms of Returns will increase Intentions to Fraudulently Return by .255. This positive relationship supports hypothesis three.

H4: The store loyalty of the consumer will negatively influence the consumer's intention to fraudulently return.

H4 was not supported in this study. The summed score of Store Loyalty was used as the independent variable, and the summed score of Intentions to Fraudulently Return was used as a dependent variable in the regression analysis. The R^2 value of .016 predicts that 1.6% of the variance in Intentions to Fraudulently Return is predicted by Store Loyalty. The t-value of -1.842 ($p > .05$) does not show a significant relationship between Store Loyalty and Intentions to Fraudulently Return. The Beta value of -.068 indicates that for every one-unit increase in Store Loyalty the Intentions to Fraudulently Return variable will decrease by .068, and this value supports the hypothesis. However, caution should be taken since this scale did not meet the test for reliability.

Table 4.6

Regression Analysis for Attitude Towards Returns, Consumer Social Norms of Returns, and Store Loyalty

Dependent Variable: Intention to Fraudulently Return			
Independent Variable: Attitude Towards Returns, Consumer Social Norms of Returns, Store Loyalty			
Variables	R^2	Beta	t-values
Attitude Towards Returns	.089	-.369	-4.463***
Consumer Social Norms of Returns	.161	.255	6.327***
Store Loyalty	.016	-.068	-1.842

* $p < .05$ ** $p < .01$ *** $p < .001$

Also, a multiple regression analysis was conducted for Attitude Towards Returns, Consumer Social Norms of Returns, and Store Loyalty and how all three combined affect the Intentions to Fraudulently Return. A summary of the findings is located in Table 4.7.

The summed scores of Attitude Towards Returns, Consumer Social Norms of Returns, and Store Loyalty were used as the independent variable and the summed score of Intentions to Fraudulently Return was used as the dependent variable in the multiple regression analysis. The R^2 value of .202 predicts that 20.2% of the variance in Intentions to Fraudulently Return is predicted by all three of the independent variables. The overall multiple regression is significant in predicting Intentions to Fraudulently Return. The t-value of -2.680 ($p < .01$) for Attitude Towards Returns shows a significant relationship between Attitude Towards Returns and the Intention to Fraudulently Return. The Beta value of -.237 indicates that for one unit increase in Attitude Towards Returns there is a .237 decrease in the Intentions to Fraudulently Return. Next, the t-value of 4.836 ($p < .001$) for Consumer Social Norms of Returns indicates that there is a significant relationship between Consumer Social Norms of Returns and Intentions to Fraudulently Return. The Beta value of .212 shows that for every one-unit increase in Consumer Social Norms of Returns the Intentions to Fraudulently Return will increase by .212. Lastly, the t-value for Store Loyalty of -1.113 ($p > .05$) shows that there is not a significant relationship between Store Loyalty and Intentions to Fraudulently Return. The Beta value of -.039 indicates for one unit increase in Store Loyalty there is a .039 decrease in Intentions to Fraudulently Return. Therefore there is an overall significance between Attitude Towards Returns, Consumer Social Norms of Returns, Store Loyalty, and Intentions to Fraudulently Return. However, Attitude Towards Returns and Consumer Social Norms of Returns are the only two independent variables that are individually significant with Intentions to Fraudulently Return.

Table 4.7

Multiple Regression Analysis for Attitude Towards Returns, Consumer Social Norms of Returns, and Store Loyalty

Dependent Variable: Intentions to Fraudulently Return				
Independent Variable: Attitude Towards Returns, Consumer Social Norms of Returns, Store Loyalty				
Variables	R ²	Beta	t-values	Sig.
Multiple Regression	.202			.000
Attitude Towards Returns		-.237	-2.680**	
Consumer Social Norms of Returns		.212	4.836***	
Store Loyalty		-.039	-1.113	

*p<.05 **p<.01 ***p<.001

Lastly, a regression analysis was run on the independent variable Intention to Fraudulently Return and how it affects the consumer's Fraudulent Return Proclivity. A summary of these findings is located in Table 4.8.

H5. The intention to fraudulently return will positively influence fraudulent returning behavior.

H5 was supported in this study. The summed score of Intentions to Fraudulently Return was used as the independent variable and the summed score of the Fraudulent Returning

Behavior was used as the dependent variable. The R^2 value of .394 predicts that 3.94% of the variance in Fraudulent Returning Behavior is explained by Intentions to Fraudulently Return. The t-value of 11.472 ($p < .001$) shows a significant relationship between the two variables and that Intentions to Fraudulently Return is a reliable predictor of Fraudulent Returning Behavior. The Beta value .363 estimates that for every one-unit increase in Intentions to Fraudulently Return there is a .363 increase in the Fraudulent Returning Behavior. This positive relationship supports hypothesis five.

Table 4.8

Regression Analysis for Intentions to Fraudulently Return

Dependent Variable: Fraudulent Returning Behavior			
Independent Variable: Intentions to Fraudulently Return			
Variables	R^2	Beta	t-values
Intentions to Fraudulently Return	.394	.363	11.472***

* $p < .05$ ** $p < .01$ *** $p < .001$

Figure 4.1 is the model previously proposed for this study with the Beta values added to visually represent all of the regression analyses performed above. The Beta values obtained during multiple regression are included in this figure. As previously stated H1 was not supported, H1A was supported, H1B was not supported, H1C was not supported, H2 was supported, H3 was supported, H4 was not supported, and lastly hypothesis five was supported.

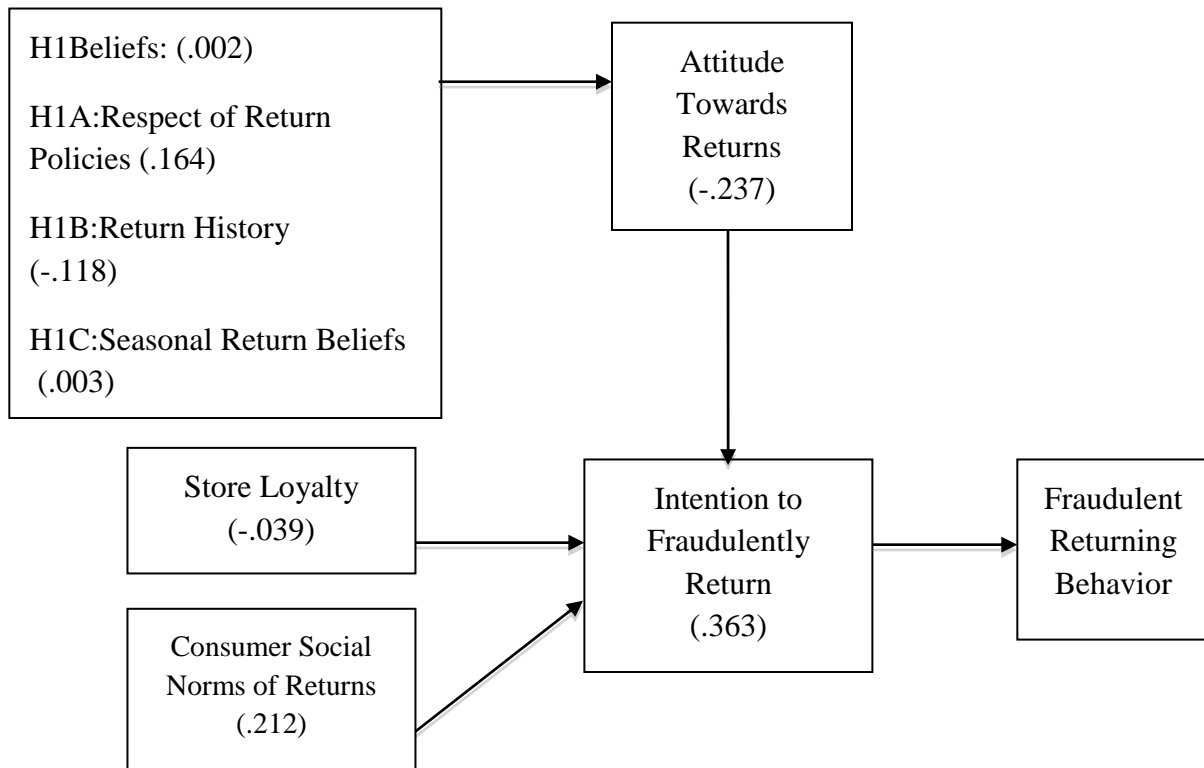


Figure 4.1: Model for factors impacting the behavior of fraudulently returning by consumers with Beta values.

CHAPTER 5

CONCLUSIONS AND LIMITATIONS

The objectives of this study were to determine the impact Consumer Beliefs on Returns (Respect of Return Policies, Return History, and Seasonal Return Beliefs) have on the Attitude Toward Returns and how the Attitude Toward Returns affects the Intention to Fraudulently Return and ultimately affects the Fraudulent Returning Behavior. Also, this study aimed to determine the impact the Social Norms, and Store Loyalty have on the Intention to Fraudulently Return and ultimately the Fraudulent Returning Behavior. While the topic of fraudulent returning by consumers has been recognized for many years, current and existing studies focus mainly on what the retailer is doing wrong and fail to recognize that the consumer may be at fault (Harris, 2008). One of the main purposes of this study was to add information to the factors that affect a consumer's proclivity to fraudulently return.

There are a few limitations that may have affected the results. For example, respondents who listed Macy's, Dillards, etc. as high-end fashion specialty retailer may show that many people are unsure or unaware of what a high-end fashion specialty retailer is. Some questions may have been skipped because of the sensitive nature of the questions. The respondent may have felt guilt or remorse for performing a task questioned and did not want to observe and share their behavior and chose not to answer the question. Also, seventy-four respondents did not respond to the household income question and there are a few possible reasons as to why. One reason may be the respondent was unaware of her parents' income and did not want to guess, or another reason may be that the respondent did not feel comfortable divulging this information.

Also, it is to be kept in mind that the majority of the respondents were between the ages of eighteen and twenty-four, single, with some college and university education. Although not all college students at this age are supported by family members, it is a fair assumption that the majority are dependent because most respondents reported a household income of \$100,001+. It is safe to say that the respondents still feel as if they are a part of their family's household because of the response of such a high-income level.

“The consumer beliefs on returns will negatively influence the consumer's attitude toward returns,” was stated as H1 and was not supported in this study. There were three extra components under the broad spectrum of beliefs, but these components were tested with Attitude Towards Returns separately and described below. It was originally thought that the Consumers Beliefs on Returns would decrease as the Attitude Toward Returns increased because the Attitude Toward Returns would start to outweigh the respondent's original preconceived beliefs on returns. Although the scale was proven insignificant, the influence on Attitude Towards Returns by Consumer Beliefs on Returns was positive, which goes against the initial assumption. This may mean that the more confidence a consumer has about returning merchandise, the more comfortable she feels and this positively affects her attitude.

It was initially stated in H1A, “The consumer's respect of return policies will positively influence the consumer's attitude toward returns.” This hypothesis was supported by the data. As the respondent gained knowledge of the return policies of the company the Attitude Toward Returns became more positive, therefore, the respondent must be more comfortable with the return system the retailer provides. This comfort may lead to the consumer taking advantage of the return system and policies of the retailer. If she is comfortable enough to return merchandise on a regular basis, knowing that no suspicions will be raised, then what keeps a consumer from

defrauding the retailer? These are factors retailers need to take into account when deciding on a return policy for their company. Possibly making the consequences of fraudulent returning known will deter consumers from attempting it, or even keeping the consequences secret, but stating that there are consequences would make the consumers more uncomfortable with the situation and deter them from attempting it. These scenarios are for the retailers to decide.

H1B stated, “The consumer’s return history will positively influence the consumer’s attitude toward returns” and was not supported in the study. The return history did not have a significant effect on the attitude of the consumer toward fraudulent returning. The respondents consistently responded to the survey questions as not having much, if any, knowledge of returning products by themselves, with family members, or friends. It was initially assumed that a strong history in returns would positively influence how the consumer feels about returns. If a consumer is/was comfortable enough to return merchandise at one point, it seems as if she would have a positive attitude relating to returns now or in the future. However the study shows that the stronger the attitude toward returns the less returns she has participated in. This may be because the respondent may feel uncomfortable with returns because she has not experienced them enough, and does not know the interworking of a company and how it handles returns. Another possible reason is that the customer had a bad experience with returning an item in the past, has a worse attitude about the process, and therefore does not return many items any longer.

These results may stem from respondents not being honest on the survey because of a sense of remorse for having participated in an act they deem morally wrong. Whatever the reason for the respondents’ particular responses to these questions, the overall conclusion is that the return history of the respondent does not affect the attitude she may have about fraudulent returns.

It was initially stated in H1C, “The seasonal return beliefs of the consumer will have a positive influence on the consumer’s attitudes toward returns.” This hypothesis was not supported by the data. It appeared that the beliefs a consumer had about the season in which she shopped and returned the most would affect her attitude about returning. For example, if a consumer shopped mainly during the winter holiday months, November-December, then she would have a more positive attitude about returning because generally return policies are perceived to be looser during this time of year to account for people buying gifts for loved ones who may not want them. Since the return policies are typically lighter during these months, it makes it easier for a fraudulent returner to do what he or she does best, fraudulently return.

There was no relationship found between these two variables, and therefore this leads to the question, is there no relationship or was the scale used to measure this item not the best scale? There was no previous scale found to support this hypothesis and therefore the researcher had to create one. Through the pre-test of twenty-six respondents the scale was proven reliable. The difference between the pre-test and the actual study, other than men responded to the pre-test, is not known.

“A consumer’s attitude toward returns will negatively influence the consumer’s intention to fraudulently return,” was stated as H2 and was supported by the study. The first three items used to measure attitude had to be deleted to make Cronbach’s Alpha statistically reliable, but the information provided for these three items is of interest and therefore is discussed here. These respondents think making returns in general is a stressful undesirable task, but getting money back by returning merchandise may outweigh the hassle of returns. No one wants to waste money on items they realize they do not need or if an apparel item does not fit, but some people may fear returning the merchandise because of the stress of the process of doing so.

Interestingly, a consumer is less likely to intend to fraudulently return when she feels like following return policies is necessary and important. Otherwise, she would be going against her initial attitude toward it. But does this mean that the intention to fraudulently return is directly related to fraudulently returning behavior, or could a consumer not intend to do something, but in the end actually perform the behavior?

H3 was stated as, “The social norms of the consumer will positively influence the consumer’s intention to fraudulently return” and was supported in the study. The social norms of the respondents seem to be a major factor into to why people act a certain way. Whether it is to achieve a status or maintain one, people feel they must play a role to do so.

The overwhelming consensus is that the respondents of this study do not think that their friends and family members believe it is acceptable to return used or damaged items, but it is interesting to discuss that the respondents are unsure if their friends approve or not. The respondents’ side with the fact that their friends do not think it is acceptable to return damaged or used items, but whether they approve or disapprove of the respondent doing so is unknown.

H4, “The store loyalty of the consumer will negatively influence the consumer’s intention to fraudulently return,” was not supported in this study. It was hypothesized that it would be a negative relationship because a consumer’s loyalty may influence how she feels about defrauding the company, and the negative relationship aspect of this hypothesis was supported although it proved not to be statistically sound. As the consumer became more loyal to a fashion specialty retailer, she may feel more guilt or remorse. Although these respondents felt that they were loyal customers, their loyalty would easily be persuaded if they did not receive the type of customer service and attention they expected. For example, their allegiance to their favorite store

might change if the store consistently performed poorly. This is one reason that many retailers have such lenient return policies, in fear of losing a customer because he or she becomes frustrated with their service. It is more important to keep the long-term customer and risk loss because of fraudulent returns, than it is to prevent loss.

Consistently when asked, consumers would recommend certain fashion specialty retailers to their friends and they plan to purchase from the retailer again. The respondents appear to be loyal, but this aspect of the study was not significant. The pretest showed that the scale used to measure loyalty was not reliable, but with the addition of more measures the reliability increased. Therefore, although the test was reliable, it was not significant. If a better scale was used to measure this variable, the consumer's Store Loyalty may be an important factor into her intentions to fraudulently return. Many retailers invest a lot of time, energy, and money into store loyalty programs such as Neiman Marcus' InCircle program that gives the customers incentives to shop with them on a regular basis. Also, energy is spent training sales associates to treat every customer as if he or she is the only customer for that retailer.

The scales for Store Loyalty were derived from three different studies. Omar and Sawmong (2007) provided scales based off of super market loyalty. Their study broke loyalty down into four different categories including cognitive loyalty, affective loyalty, conative loyalty and action loyalty. The total of these four categories showed that patrons to the super market showed weak loyalty. Also, Heere and Dickson (2008) provided scales for Store Loyalty and focused on attitudinal loyalty related to sports teams. The scales used in their study were found statistically reliable and valid so more scales could potentially be adopted from their study for future research into fraudulent returns. Lastly, Beer and Watson (2009) provided scales for the study of Store Loyalty. Beer and Watson's (2009) study focused on group loyalty and individual

loyalty of college aged students. Students were asked how they were loyal about general topics such as “Come to the aid of a friend” for individual loyalty, and “Don’t criticize our country” for group loyalty. Beer and Watson’s (2009) scales were also found to be reliable and valid. With better adaptations of the scales listed above the study of fraudulent returns in high-end department stores may have provided different results.

Lastly, “The intention to fraudulently return will positively influence fraudulent returning behavior” (H5) was supported in this study. Harris (2008) did not use Fishbien and Ajzen’s Theory of Reasoned Action (1975) as the basis for the study, and therefore the intentions variable was left out. Intentions are a necessary component in this study, however, especially because this study deals with a somewhat immoral behavior. Does the consumer actually intend to commit a harmful act toward the retailer, or does he or she have good intentions and then succumb to the pressure of obtaining a desired object without the financial repercussions of it?

Although the majority of the responses did not agree with anything that seemed to involve doing an unethical act, there were a few that reported being involved in fraudulent returns such as returning an item after using it or breaking it. There are a few people in the world that do return merchandise after knowingly using it and are not ashamed to admit it. Possibly, if this study was conducted over a larger sample of the population of people who shop at high-end fashion specialty retailers, there may be more respondents willing to admit fraudulent returning behavior.

The information regarding intentions is very similar to the information regarding fraudulent returning proclivity. Respondents consistently disagreed that they do not return products after using them, breaking them, taking products back to the store when it is against the

rules, or lying to get their money back. Overall, the major factors impacting Intention to Fraudulently Return were Attitude Towards Returns and Social Norms, and the Intention to Fraudulently Return was also proven to impact Fraudulent Returning Behavior. More research should be done on these factors, as well as the ones that were not supported to obtain insight about another sample of the population and to determine if another sample would have different results.

Compared to Harris (2008) whose sample of 242 respondents was divided into non-fraudulent returners, and fraudulent returners this study focused mainly on consumers who shop at high-end department stores. This study was based on the idea that during difficult economic times, consumers may use whatever resources are available to him or her to maintain a certain social status and indulge his or her habit of conspicuous consumption. One of these resources may be taking advantage of high-end department stores return policies. Harris (2008, p. 472) found by surveying, with a monetary incentive, through mail consumers from a national United Kingdom retailer that “knowledge and experience or fraudulent returning, complaining related issues (such as attitude toward complaining), as well as psychological orientations (such as public self consciousness) are all found to be associated with fraudulent returning proclivity.” This study focused on a few of the topics covered by Harris (2008), but also added seasonal return beliefs in hopes of addressing consumers who return mainly over the Christmas holidays.

Harris (2008) found that 107 of the respondents to the study were classified as fraudulent returners, and 125 were not classified as fraudulent returners. This study found that the majority of the respondents did not fraudulently return as opposed to Harris (2008) where the fraudulent returners and non-fraudulent returners were almost evenly split. This could be for a number of reasons. The respondents did not feel as if the survey was as confidential as promised, and in fear

of loss of reputation they did not answer truthfully. The respondents were not taking the survey seriously and reading the questions closely. Southern sorority girls experience information sessions involving the manners in which they should represent their sorority and therefore may possess different moral standards than other college women. It would be beneficial to study sororities in different areas of the country as well as the general population of college women in the South and other areas of the country. Beliefs are a tricky variable to measure because of the overtly personal nature of them, and therefore a broader scale should be used to test this relationship.

Another possible reason the respondents reported not being fraudulent returners may be because of the Internet and websites such as eBay.com, and Craigslist.com. Websites such as these have made it easier to purchase items and gently use them and sell them over the Internet to someone else who is interested in the product. These websites are so accessible that anyone with slight computer knowledge can download photos of the item along with a description and post the item for whatever price they deem appropriate. This is a quick and low hassle way of getting money back for an item that the consumer no longer wants, for whatever reason that may be. Also, consumers can sell merchandise to secondhand or thrift stores that resell it to the public. This route often means the consumer will not receive the amount of money he or she paid for the item, but will receive money nonetheless. This has become a popular means of receiving money for unwanted merchandise, because they are able to participate in the trendy fast fashion items, sell those items once they are done with them, and then use the money to buy the next trendy item. This is a much less morally questionable means of receiving money for items that the consumer only wants for a short amount of time and for one occasion.

Francis, et. al. (2009) used the variable Beliefs as well to test the beliefs of medical professionals in blood transfusion practices in Intensive Care Units. The scales used by Francis, et. al. (2009) were for open ended questions in a interview setting. Perhaps better statistically analytical scales could have been used to test Consumer Beliefs on Returns regarding fraudulent returns. For this study the scales used by Francis, et. al. (2009) were adapted to a Likert-type scale, and this adaptation may not have been the best form of measuring Beliefs. A scale that has already been tested in a Likert-type format would be better suited for future research involving high-end fashion specialty retailers and fraudulent returning.

The scales used to test Attitude Toward Returns were supported in this study as well as in the study from which they were derived (Bulgurcu, et al., 2010). The Bulgurcu, et. al. (2010) study found that Attitude Towards Returns significantly affects the employee's intention to comply to Information Security Policies, just as in this study the consumer's attitude toward returns significantly affects the consumers intentions to fraudulently return. Therefore this scale could be used in future studies regarding fraudulent returns in high-end fashion specialty retailer.

The results of this study, although not groundbreaking, have given a lot room open for further studies. There are many unanswered questions that should be further explored.

Assumptions & Limitations

1. Sample respondents are truthful in their responses, and there is no bias.
2. The sample of the Southeastern University sorority women is representative of Southern sororities.

3. Respondents who shop at high-end retailers are representative of the entire population of consumers who shop at high-end retailers.
4. The fraudulent returning reasons and patterns of consumers who shop at high-end retailers are different than those who shop at discount or fashion specialty retailer retailers.
6. The characteristics used to distinguish a high-end retailer as such are universal characteristics accepted by everyone.
7. The sample was limited to sorority women who shop at high-end department stores; therefore, women who shop at discount or fashion specialty retailer retailers were excluded.
8. The sample was limited to women at the Southeastern University, and therefore women in other parts of the country were excluded.
9. The women surveyed were reassured that their responses were not made public, but in fear of loss of reputation their responses may not be entirely truthful.
10. The data was gathered in consideration of high-end retailers identified by the participants. Some retailers that are high-end may be omitted because were not identified by the participants.
11. The study did not take into account the different ethnicities of the sorority girls who participated in the survey.

Further Research Suggestions

Based on the comparisons between the Harris (2008) study and this study assumptions and limitations are listed above, and several suggestions for future study were identified.

First, additional studies should be conducted in various regions of the United States rather than solely in the South at a Southeastern University in order to determine if the results found in this study are consistent when sampling other sorority women in different areas of the country. Also, this study could be expanded to include men and women attending other colleges and universities, not included in the Greek system.

The seasonal return beliefs scale should be revised and made more reliable. This should test which season consumers tend to return merchandise fraudulently to the retailers in question. The expansion of the study through the support of the high-end retailers to survey their consumers directly may provide the retailers more specific information on their stores and how to fight the issue of fraudulent returns.

The addition of a thrill-seeking variable would be relevant to study. The thrill-seeking variable was included in the Harris (2008) study and was found to be significant in predicting consumer fraudulent return proclivity. The further analysis of this variable could be beneficial in understanding what drives a consumer to fraudulently return merchandise.

Lastly, the study of whether consumers are returning merchandise to receive money as opposed to selling their unwanted merchandise on the Internet or to secondhand or consignment shops would be an interesting study. The frequency of participation in websites such as Ebay.com, Craigslist.com, and consignment stores may be a new outlet for shoppers to receive money for merchandise. Overall, there is room for expansion and further research that will broaden this field of interest that has only been slightly explored thus far.

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APPENDICES

APPENDIX A:

CONSENT FORM



THE UNIVERSITY OF GEORGIA

Hello,

I would like to begin by thanking you for taking time out of your busy schedule to participate in this questionnaire. Participating in this research should take no longer than 20 minutes. First, a little information about myself, as well as about the research in which you are about to participate in.

My name is Elizabeth Pilcher and I am pursuing a Master's degree in Textiles, Merchandising and Interiors at The University of Georgia in Athens, GA. This questionnaire is part of my graduate thesis work and I am very curious as to your responses.

The focus of this research centers on people who shop at Bloomingdale's, Neiman Marcus, Nordstrom, or Saks Fifth Avenue. The thought process behind this study is to improve the understanding of why consumers return merchandise and how often it occurs.

Please be assured, there are no right or wrong answers, participation is voluntary and you may refuse to participate or may stop at any time without penalty or loss of benefits to which you are otherwise entitled. All survey responses are anonymous and kept in a locked room in a locked filing cabinet that can only be assessed by Dr. Jan Hathcote and myself. Internet communications are insecure and there is a limit to the confidentiality that can be guaranteed due to the technology itself. However once the researcher receives the materials, standard confidentiality procedures will be employed.

There are no foreseeable risks or discomforts for participating in this research and there are no direct benefits for participants. However, by participating in this research you have the opportunity to make your shopping experiences at your favorite fashion specialty retailer more pleasurable if retailers adopt the results and make return policies more beneficial for everyone.

Additional questions or problems regarding your rights as a research participant should be addressed to The Chairperson, Institutional Review Board, University of Georgia, 629 Boyd

Graduate Studies Research Center, Athens, Georgia 30602-7411; Telephone (706) 542-3199; E-Mail Address IRB@uga.edu.

Please feel free to contact us regarding this research at any time with questions or comments and thank you again for lending your time to this research:

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APPENDIX B:

BUSINESS CARD

<http://www.surveymonkey.com/s/pilcher>

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Masters of Science Candidate

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APPENDIX C

SURVEY

☐ Neiman Marcus ☐ Nordstrom ☐ Saks Fifth Avenue
☐ Bloomingdale's ☐ NONE
☐ Other _____

Directions: Based on your experiences as a customer to high-end fashion specialty retailer, please think about your purchasing behaviors when it comes to purchasing APPAREL items and show how each statement is related to YOU. If you feel that the statement describes your behavior well then circle “5” for “Strongly Agree.” If you feel that the statement only describes your behaviors slightly or not at all circle “1” for “Strongly Disagree”.

1. I have a lot of experience getting refunds when returning products that I have used or I have broken.

2. I have often gone with friends or family members when they are returning used or damaged products.

82

3. I have very little experience of getting refunds when returning products that I have used or I have broken. (r)

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

4. I have been involved in lots of returning of products that I know were used.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

Part 2:

5. I often return goods after using them.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

6. I never knowingly return products that I’ve used or damaged. (r)

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

7. I often return products that I know I have broken.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

8. I often take things back to stores, even when I know it is against the rules.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

9. I often return products, knowing that I will have to lie to get my money back.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

10. I never take products back to stores when I have used or damaged them (r).

1

2

3

4

5

“Strongly Disagree”

“Strongly Agree”

II. Return Policy

1. I know very little about the rights I have when I return products. (r)

1

2

3

4

5

“Strongly Disagree”

“Strongly Agree”

2. I know a lot about the circumstances under which stores can refuse to give a refund for a returned product.

1

2

3

4

5

“Strongly Disagree”

“Strongly Agree”

3. I know most stores’ rules about returning products and I follow them.

1

2

3

4

5

“Strongly Disagree”

“Strongly Agree”

4. I know very little about most stores’ return policies. (r)

1

2

3

4

5

“Strongly Disagree”

“Strongly Agree”

5. I take the stores’ return policies into consideration when deciding to purchase a product.

1

2

3

4

5

“Strongly Disagree”

“Strongly Agree”

III. Social Norms

1. My circle of friends do not approve of returning products that they have used or damaged. (r)

1

2

3

4

5

“Strongly Disagree”

“Strongly Agree”

2. My family does not approve of returning used products. (r)

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

3. Around here, everybody agrees that returning products that have been used is okay.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

4. Most of my friends think that returning products that they have used or damaged is okay.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

IV. Seasonal Return Beliefs:

1. I return items during the winter months more often than the summer months.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

2. I return items that were given to me more often than items I purchased myself.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

3. I return holiday related apparel items more often than other items.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

4. The time of year does not influence how often I return apparel merchandise (r).

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

V. Store Loyalty

1. I consider myself a committed patron to my favorite specialty goods store.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

2. I might rethink my allegiance to my favorite fashion specialty retailer if the store consistently performs poorly.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

3. I would not give up my loyalty to the fashion specialty retailer even though my family and friends stop shopping there.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

4. It would be difficult to change my beliefs about the fashion specialty retailer.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

5. I consider myself a loyal person.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

The following question refers to the store or stores you marked at the beginning of the survey (Nordstrom, Neiman Marcus, Saks Fifth Avenue, Bloomingdale’s, and any stores you wrote into the “Other” category)

6. I would recommend this fashion specialty retailer to friends.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

7. I am likely to purchase at this fashion specialty retailer again.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

8. I plan to maintain my shopping habits with this fashion specialty retailer.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

VI: Intentions

1. I intend to return goods after using them.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

2. I intend to take things back to stores, even when I know it is against the rules.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

3. I intend to return products, knowing that I’ll have to lie to get my money back.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

4. I often intend to return products that I know I have broken.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

VII. Beliefs

1. How confident are you about returning merchandise?

1 2 3 4 5

“Not Confident”

“Very Confident”

2. Do you feel the benefits of returning merchandise outweigh the hassle?

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

3. I am confident that I will receive a full refund when I return merchandise.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

VIII. Attitude

1. I enjoy making returns.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

2. Returning merchandise is stressful (r).

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

3. I feel good about receiving money in exchange for items that I no longer need.

1 2 3 4 5

“Strongly Disagree”

“Strongly Agree”

4. To me, complying with store return policies is

1 2 3 4 5

“Unnecessary”

“Necessary”

1 2 3 4 5

“Unimportant”

“Important”

X. Demographics

1. Please indicate the age group in which you fall.

☐ 18-24 ☐ 25-34 ☐ 35-44 ☐ 45-54 ☐ 55+

2. Please indicate your sex.

☐ Male ☐ Female

3. Please indicate your household annual income.

☐ Less than \$9,999 ☐ \$10,000-30,000 ☐ \$30,001-50,000
☐ \$50,001-80,000 ☐ \$80,001-100,000 ☐ \$100,001+

4. Please indicate your marital status.

☐ Single ☐ Widow/widower ☐ Divorced/separated
☐ Married/live with partner

5. Please indicate your level of education.

☐ Less than high school
☐ High School
☐ Some university/college
☐ University degree
☐ Post graduate degree/diploma

6. Please indicate what city and state you are from.

****(r)** stands for reverse coded.