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Effect of perceived risk in moderating the relationship of PPD and website related to product return

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ABSTRACT

In recent years, product returns in internet retailing have shown to be increasing. Among these product returns, large proportions are false failure returns that are not due to functional defects. While it has identified that product return decision influenced by post-purchase dissonance (PPD) among other factors, little information known about which factors in online retailing are responsible for forming the post-purchase dissonance. In the current study, we seek to address this issue of factors influencing post-purchase dissonance. We use a large data set of customers who experienced returns to identify which process attributes influence post-purchase dissonance related to product returns.

KEYWORDS: website information; post-purchase dissonance; attractiveness of alternatives; perceived risk; purchase involvement

INTRODUCTION

Given the liberal return policy in online shopping provided by the new consumer rights protection law in China created the environment for large number of product returns (Ferguson, et al., 2006; Huang, et al., 2011). This happens even before consumers have had enough time to experience the product's performance or evaluate its overall quality (D'Innocenzio, 2011). This high percentage of return rates indicate there must be some factors in E-retail business that make the products' return highly susceptible. In spite of this large occurrence of returns in E-retail, there is very limited extant research on this subject matter within the Operations Management (OM), Supply Chain Management (SCM), and Marketing literatures; specifically, there is a lack in theory-driven investigation (Mollenkopf et al., 2011). According to some recent studies (Powers and Jack, 2013; Lee, 2015), post-purchase dissonance (PPD) is found to be an important driving force for customers to return the purchased products. As a commonly used theory in social psychology, cognitive dissonance has been widely applied to explore consumer behavior. Festinger's (1957) early research suggests that cognitive dissonance could potentially be affecting consumers' attitude towards their purchase decision. According to cognitive dissonance theory, customers are motivated to alleviate the anxiety and uncertainty caused by dissonance by taking some actions, which leads to the recovery of psychological balance (Brehm, 1956; Festinger, 1957).

Many researchers are exploring which actions consumers would take to alleviate their negative psychological position. Changing cognition would be a core method to gain the recovery of psychological balance when consumers lack confidence in the success of their actions. Korgaonkar & Moschis (1982) observed that reversibility of purchasing decision has a great influence on consumer's dissonance-reduction process. Therefore, to make the purchase decision undone, the return of purchased product is an efficient dissonance-reduction strategy. In the context of sustainable supply chain Tangpong, Hung, & Li (2014) suggest that human agents need to adapt to the environment in order to reduce the cognitive dissonance to function more effectively. Since cognitive dissonance theory has been widely adopted by researchers to explain the psychological consequences of a purchase decision, it has recently become the theoretical backbone for consumers' post-purchase dissonance (Lee, 2015; Keng and Liao, 2013). With the introduction of the concept of post-purchase dissonance in consumer research, researchers have directed to explore the negative consequences of post-purchase dissonance. If the negative psychological situation could not be alleviated in time, post-purchase dissonance will lead to customer dissatisfaction, which may result in negative behavior that may be harmful to the enterprises, such as negative word of mouth (Grandey et al., 2013) and thus negative publicity.

As a necessary medium for online shopping, E-retailers transfer information about products and services to customers through websites, which helps to attract and guide consumers' purchase (Collier & Bienstock 2006). Therefore, website information provides a strong signal about the product and service quality and widely used in the online market (Hsieh & Tsao, 2013). Online vendors can provide detailed product descriptions in the website, such as product materials, size and function (Park & Stoel, 2005), and can use the image interaction technology to simulate customers' product experience (Kim et al., 2007). Customers can understand the demand of products and other customers' consumption experience by involving themselves on the process and focusing on online customer reviews (Babić et al., 2016), which will help customers to reduce the pre-purchase perceived risk (Ho-Dac et al., 2013). In addition, the availability of attractive alternatives is essential for making choices in product return or buying another product, this will result in cost reduction in switching, which may also have added benefit of decrease in customer's cognitive dissonance during the post-purchase process (Harris and Daunt, 2011; Powers and Jack, 2013). While post-purchase dissonance, website information, perceived risk, attractiveness of alternatives, and purchase involvement have received some attention in the literature separately as discussed earlier, moderating effect of some of these attributes on the core relationship have remained relatively unexplored.

Thus, we direct our attention for the most part on the process attributes of post-purchase dissonance to show that website information is the key predictor of post-purchase dissonance, and that attractiveness of alternatives and perceived risks are influential attributes in their relationship that shows the main functional mechanism of product return system in online retailing. Thus, we integrate the theories of cognitive dissonance along with perceived risk to propose a theory that the association between website information and post-purchase dissonance, although negative, can be strengthen further when customers experience lack of attractive alternatives, but higher purchase involvement. Our results show that post-purchase dissonance, in which attractiveness of alternatives are lower, is impacted more by website information than in which attractiveness of alternatives are higher. Similar results, also observed with perceived risk. While prior research has observed that website information has strong effect on post-purchase dissonance, our findings suggest that the magnitude of this effect is also conditional on the level of other attributes, such as, perceived risk.

LITERATURE REVIEW

PPD is defined as psychologically uncomfortable state following a purchase selected from a set of alternatives, each of which has some desirable attributes (Nadeem, 2007). In general, PPD refers to negative emotions experienced by the consumers, such as doubts, uncertainty, anxiety, regret, etc.; which are results of cognitive confliction shortly after purchase decision (Lee, 2015). Those rejected alternatives can be simulated as a counterfactual in the mind of consumer (McConnell et al., 2000), which would then amplify the existing dissonance (Walchli & Landman, 2003). This may result in product returns for it to help customer to alleviate the uncomfortable state of mind formed by the purchase choice (Gilovich and Medvec, 1995; Zeelenberg et al., 1996). PPD can be influenced by various factors, such as consumer's purchase experience, importance of the purchase decision, customer support service, competitors' product information, the number of alternatives available, consumer's involvement with the purchase, risk perception by consumer, and personality traits (Hawkins, 1972; Murray & Schlacter 1990; Olsen, 2008; Stone, 2003; Lii, 2001; George and Edward, 2009; George and Yaoyuneyong, 2010). Kassarian and Cohen (1965) noted that comparing the negative attributes of the chosen product, a consumer with decision making difficulty reflects the positive attributes of rejected alternatives, which gives rise to a logical inconsistency between cognitions (Festinger 1957). Hawkins, Best and Coney (2001) measured the PPD's stimulation in terms of purchase decision difficulty. Murray and Schlacter (1990) highlights the association between pre-purchase uncertainty and PPD. Some studies indicate that PPD negatively related to consumer self-confidence (Hennig-Thurau et al., 2002; Nandan, 2005; Szymanski & Henard, 2001) and positively related to consumer anxiety (Keng & Liao, 2009; Liao & Chen, 2008; Soutar & Sweeney, 2003; Sweeney et al., 2000).

REFERENCES

References are available upon request.