



Shopee's shorter processing time for refunds and returns offers greater assurance to shoppers. It sends a strong signal in a sea of online retail platforms with less-than-ideal practices. ST FILE PHOTO

The reality today is that refunds and returns policies differ because the logistics of picking up a product can be complicated by many factors such as varying product sizes and ease of collection from less conveniently located seller locations. Bulky items can be troublesome for logistics partners with limited vans to pick up, leading to delays, as shipping and verification of the condition of the goods can be time-consuming. Handling of bulky items also requires more manpower, equipment such as forklifts, and larger vehicles for delivery that require more specific scheduling.

## Shopee's new refunds and returns processing timelines: What difference do they make?

Online shoppers have rising expectations of e-commerce platforms, but are these justified, and are companies like Shopee able to fulfil them?

**Lau Kong Cheen and Vanessa Liu**

One of the first few e-commerce surveys in the United States to be carried out in the late 1990s found that the biggest obstacle discouraging fledgling Internet users from shopping online concerned uncertainty over the merchandise quality.

But users generally accepted some level of ambiguity on one condition: Four in 10 said they would buy more if they could return items with ease and confidence.

Fast forward to today. Online shopping has changed vastly, but that same worry remains. Poor-quality pictures, misleading postings and long waits for something people can purchase easily at the mall plague the experience. These inevitable shortcomings of e-commerce make a solid returns policy necessary.

E-commerce giants like Shopee must know this. This recognition that Shopee takes its customers' concerns seriously is perhaps why it publicly committed to resolving refunds and returns requests within an average of 2.5 working days earlier this month. This development strengthens the Consumers Association of Singapore's (Case) Standard Dispute Management Framework for e-marketplaces, which was launched in 2021 and serves as a guide for e-marketplaces in Singapore to resolve consumer disputes quickly and equitably.

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practices. Most online retail platforms have yet to offer Shopee's quick turnaround time for refunds and returns resolutions, with Lazada and Taobao most closely trailing at three working days. Amazon.sg typically takes seven working days to complete processing a refund to a credit or debit card.

Others have operational difficulties even in just fulfilling orders. Last week, local e-commerce platform Mdada had to take pains to assure customers all purchases will be delivered by June amid 44 complaints lodged with Case over defective products and late deliveries against the company between January 2022 and April 2023.

### SHOPPING SHOULD BE EASY

Shopee's move can entice more online shoppers to spend on the platform. Research has shown that a generous returns policy is an important factor in shaping online shopping decisions.

We have all been there before – the hassle of requiring an exchange when clothes come in the wrong colour or size, the annoyance when reality does not gel with the online product description and the pain of losing money if goods arrived damaged or faulty without a refunds policy.

One United States study showed that 67 per cent of customers tended to review returns policies before deciding on an online purchase. Prospective customers were also more willing to purchase big-ticket items when a no-regrets returns policy allowed them the convenience of doing so, a second study in 2019 of global trends showed.

### THE E-COMMERCE GUESSING GAME

By taking out the guessing game over how fast you can get your money back if something untoward happens, Shopee's shorter processing time for refunds and returns requests offers greater assurance to shoppers.

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Insurance documents may also need to be verified, as these items are usually more expensive. All these factors contribute to the additional time required for handling the shipment of these bulky items.

Similarly, refunds from international retailers may be slower due to different payment systems, and having a standard timeframe or benchmark for processing a request is not always possible. Payments through e-wallets from e-commerce platforms, such as Shopee Pay, can take less time as they involve funds in the same ecosystem under the platform's control. Other payment gateways like credit cards or PayPal take longer as they involve stringent verification and approval processes across different banks from different countries.

Ultimately, customers want an equitable and efficient resolution process, and committing to an average target gives buyers a transparent benchmark they can compare with, and peace of mind.

### TACKLING PROBLEMATIC MERCHANTS

Perhaps Shopee's ability to tighten its operations to cut down processing time arose after some house-cleaning.

Beset by a string of complaints in regional markets including Malaysia, the Philippines and Singapore, Shopee had earlier streamlined its returns and refunds workflow with sellers in March 2022. Instead of mediating only when sellers and buyers cannot reach an agreement,

Shopee would become the arbiter to review all such requests.

Shopee had years to prepare. It had ample time to audit and analyse its practices before full adoption. A key challenge was to ensure the majority of its high-value merchants can comply with its stringent requirements of shorter refunds and returns processing periods.

It also put in place a Sellers' Penalty Points system where underperforming and problematic merchants with a high rate of refunds, returns, late shipments and listing violations would incur penalties, including the removal of shipping rebates, exclusion from promotions, or the deprioritisation of listings. More serious cases of fraud, brushing of orders and chat spams with customers could see accounts suspended.

In a world where the ethos of "buyer beware" means shoppers bear most of the responsibility, Shopee has also institutionalised a framework where trusted sellers are given a "Preferred Seller" badge to help users identify credible merchants. "Mall" badges are also given out to authorised dealers or official brand owners authenticated by Shopee, signalling greater quality assurance.

The bigger challenge lies in how Shopee will evaluate merchants new to the site, with few past-performance records to review, and what this reliable risk-assessment tool to ensure these newcomers are up to par will look like.

### FAIRNESS, MERCHANT SUPPORT AND SUSTAINABILITY

Looking ahead, while Shopee's embrace of a 2.5 working days returns and refunds policy is laudable, it may face four complications.

First, fair treatment for both merchants and buyers when expediting a resolution. Shopee will need adequate insurance to protect merchants. Although there are no official statistics and claims by Shopee, the threat of fraudulent buyers cannot be totally eliminated and may come in different forms.

There is also "friendly fraud" where customers make claims that items were not received, even though they have been accepted by a family member, and then insist on getting a refund.

Second, merchants genuinely unable to meet refunds and returns deadline requirements should be given time and support to iron out their internal processes, like the provision of free packaging and clear labelling to minimise errors and damage to the product that increase the likelihood of returns. Stringent criteria should not unfairly penalise micro-enterprises.

Third, Shopee should liaise with logistics partners on the procedures for handling returns of varying values and sizes. Large items, like furniture, need more time for verification and return processes, compared to small items like clothing. A fourth critical issue is sustainability and how returned and unwanted items are disposed of. Most retailers and platforms like Amazon write off small-value items without arranging for returns, given the costly logistic processes, meaning most of such goods could end up as incinerated junk in landfills. This is worrying when global estimates put returns at 20 to 30 per cent for e-commerce, compared to the single digits of bricks-and-mortar shops.

This could cause environmental issues, given reports that globally about 10,000 tonnes of returned goods end up in landfills each year. Responsible online platforms must ensure that their disposal process for unwanted returns is in line with good sustainability practices.

### SHOPEE AT THE FOREFRONT

If Shopee can continue to push the envelope on improving the customer experience, it will have a major competitive advantage in a burgeoning South-east Asian market.

Shopee's framework commitment comes after the announcement of the Asean Guidelines on Consumer Protection in E-Commerce, launched in late March in Jakarta to promote consumer protection practices within the e-commerce space and the greater digital economy in South-east Asia.

Shopee's new benchmarks for e-commerce dispute-management practices could be a game-changer in sending a signal to other e-commerce platforms that this is the new level of service that they must aim for or risk losing their customers in this highly competitive business.

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