



DO&IT Seminar Series

Speaker: Xuanming Su, Assistant Professor
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University of California, Berkeley

Date: Friday, September 26, 2008

Time: 2-3:30 pm

Location: VMH 1335

Title: Consumer Returns Policies and Supply Chain Performance

Abstract: This paper develops a model of consumer returns policies. In our model, consumers face valuation uncertainty and realize their valuations only after purchase. There is also aggregate demand uncertainty, captured using the conventional newsvendor model. In this environment, consumers decide whether to purchase and then whether to return the product, while the seller sets the price, quantity, and refund amount. Using our model, we study the impact of full returns policies (e.g., using 100% money back guarantees) and partial returns policies (e.g., when restocking fees are charged) on supply chain performance. Next, we demonstrate that consumer returns policies may distort incentives under common supply contracts (such as manufacturer buy-backs), and we propose strategies to coordinate the supply chain in the presence of consumer returns. Finally, we explore several extensions and demonstrate the robustness of our findings.

Bio: Xuanming Su is an Assistant Professor from the Haas School of Business at University of California, Berkeley. He obtained his PhD in 2004 from the Graduate School of Business at Stanford University. His areas of research include operations management, revenue management, and behavioral decision-making. His recent work studies the impact of consumer behavior on supply chain management.