

Distinguished Business Analytics Speaker Events



Customization and Returns

(joint work with Paolo Letizia and Anton Ovchinnikov)

Recent advances in information technology, advanced manufacturing, and logistics allow firms to customize their products to the specifications of individual consumers. However, if customized products do not match expectations, consumers often feel entitled to a return. Should firms offer returns on customized products? We examine this question via a Stackelberg game model in which the firm decides the prices and returns policies for its customized and/or standard products, and consumers decide which product to buy given the initial noisy valuations, and whether, upon experiencing the product, to return it or not, when returns are allowed. Both parties act strategically: forward-looking consumers incorporate the real option value of possible returns into their initial purchasing decisions, and the firm incorporates consumers' best purchase and return response into its pricing and returns policy decisions. We establish three insights. First, firms can use customized products to induce some consumers who would otherwise buy and return a standard product to switch to lower-return-rate customized products. Second, it may be optimal to offer returns on customized products, despite their lower salvage value. Third, by offering returnable customized products that nudge consumers to self-select from buying standard products toward buying customized, firms can increase profits and reduce returns.

Speaker: Gökçe Esenduran, Assistant Professor, Krannert School of Management, Purdue University. She received her PhD in Operations Management from Kenan-Flagler Business School, the University of North Carolina at Chapel Hill. Before joining Purdue, she was an associate professor at The Ohio State University. Gökçe's research primarily focuses on sustainable operations. Whether driven by regulations or taken voluntarily, the true sustainability impact of firms' decisions is shaped by the interactions of supply chain members, market competition, and consumer preferences. She studies the interplay between these factors and their effect on firms' sustainability performance. Her research has been published in *Manufacturing & Service Operations Management*, *Production and Operations Management*, *Journal of Operations Management*, *IIE Transactions*, and *Naval Research Logistics*. She received the Krannert Young Faculty Scholar Award in 2019 and is serving as a senior editor for *Production and Operations Management* and associate editor for *Decision Sciences Journal*.

Wednesday, April 14, 2021, Eastern Time 4:00 - 5:00 pm

Zoom Webinar

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