

"The Right of Withdrawal in E-Commerce: A Fair Consumer Protection or an Unjust Burden on Businesses?"

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Global Business Law and Regulation LL.M. Final Thesis

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16 June, 2025

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For bibliographic and reference purposes this thesis/dissertation should be referred to as:

Modrekelidze, E. 2025. The Right of Withdrawal in E-Commerce: A Fair Consumer Protection or an Unjust Burden on Businesses? LL.M. Thesis, Department of Legal Studies, Central European University, Vienna.

Abstract

The aim of this thesis is to critically examine the right of withdrawal under the Consumer Rights Directive 2011/83/EU and to assess whether the current legal framework maintains a balanced approach between consumer protection and business interests in e-commerce transactions. While consumers benefit from 14-day withdrawal period, it is interesting to see what it costs for businesses to comply with this obligation. The thesis will analyze the legal framework of the right of withdrawal, the impact it has on businesses including fraudulent returns and other costs it is associated with. Furthermore, the thesis will explore how the right of withdrawal affects the environment and what are the hidden drawbacks of return policy. In the end, the final chapter will examine how different sizes of platforms and businesses can handle it and what kind of challenges they face.

Author's declaration

I, the undersigned, **Elene Modrekelidze**, candidate for the LLM degree in **Global Business Law and Regulation**, declare herewith that the present thesis titled **“The Right of Withdrawal in E-Commerce: A Fair Consumer Protection or an Unjust Burden on Businesses?”** is exclusively my own work, based on my research and only such external information as properly credited in notes and bibliography. I declare that no unidentified and illegitimate use was made of the work of others, and no part of the thesis infringes on any person's or institution's copyright.

I also declare that no part of the thesis has been submitted in this form to any other institution of higher education for an academic degree.

Vienna, 16 June 2025

Elene Modrekelidze

Author's Note on AI Assistance

This thesis is the result of my own independent work and research. OpenAI's ChatGPT was used solely to refine language through minor grammatical adjustments and alternative phrasing suggestions. Its use was limited to editorial support.

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Introduction

E-commerce and the regulation of issues arising from it have become a lively subject of discussion in the 21st century. In simple terms, e-commerce is purchasing goods and services on online platforms.¹ However, the definition is not limited only to that term. The explanation of e-commerce also includes any online transaction that transfers ownership or rights to goods and services available on online platforms.²

The birth of e-commerce dramatically changed things in the world in numerous ways. Physical borders and barriers that previously hindered the interaction of foreign businesses and consumers are no longer obstacles for the world and for intense international trade. The modern marketplace has expanded significantly due to technology since there is no need to physically travel to the seller's country to get a good or service³.

As demonstrated, the emergence of e-commerce made it possible for businesses and consumers to engage with each other without physical interaction. While in the case of business-to-business transactions two companies sell and buy information, goods, services to one another⁴, business to consumer relationship is focused on producers and end consumers.⁵

¹ Anjali Gupta, 'E-commerce: Role of E-commerce in Today's Business', (2014), 4 (1), International Journal of Computing and Corporate Research, 1

² Ibid

³ Nuray Terzi, 'The Impact of E-Commerce on International Trade and Employment, (2011), 24, Procedia Social and Behavioral Sciences, 746, see: Ham, S. and Atkinson, D. R. a third way framework for global e-commerce. Progressive Policy Institute, Technology & New Economy Project, March, 2001, 1-29

⁴ Tony J Jewels and Greg T Timbrell, 'Towards a Definition of B2C & B2B E-commerce', (2001), Association for Information Systems, 4

⁵ Ibid 5

Consumers have no ability to inspect the goods in online sales. Therefore, they are exposed to the risk that purchased goods might not meet their expectations. Consumers are considered vulnerable because of the inability to check the nature, characteristics and functioning of the purchased items. Distance sales are associated with unexpected elements of goods or even manipulative influence of sellers.⁶

Therefore, EU is committed to the protection of consumers. The EU Consumer Rights Directive (2011/83)⁷ seeks to safeguard consumers by shaping national legislation in a way to harmonize the relationship between sellers and buyers⁸. J.K. Galbraith in his book *The Affluent Society* states:

“I argue here that a determining factor in production — perhaps the determining factor — is, in fact, not consumer choice but, in substantial measure, producer manipulation of consumer response. Salesmanship, design and innovation are all utilized to attract and capture the consumer.”⁹

This passage highlights that consumer’s desires and demands can be easily influenced by producer manipulation, such as marketing and advertising. Accordingly, the main rationale behind seeing consumers as weaker parties is the aforementioned approach.

The emergence of e-commerce has brought various issues that need to be regulated. Consumer protection is no exception. The Directive is designed to shield consumers with several mechanisms as they are seen as the parties with less power. One of the rights granted by the EU, which will be the main subject of this thesis, is the right of withdrawal¹⁰.

⁶ Directive 2011/83/EU of the European Parliament and of the Council of 25 October 2011 on consumer rights [2011] OJ L304/64, recital 37

⁷ Directive 2011/83/EU

⁸ European Commission, ‘Consumer Information, Right of Withdrawal and Other Consumer Rights’ (EUR-Lex, 7 August 2024) https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=LEGISSUM:0904_4 accessed 13/05/2025

⁹ J K Galbraith, ‘The Affluent Society’, Houghton Mifflin, (1958), 31

¹⁰ Directive 2011/83/EU, art 9

The main purpose of the Directive, along with protecting consumers, is to harmonize the member states' laws in a way to ensure effective and smooth operation of the internal market.¹¹

Perhaps the most significant way in which the Directive protects the interests of EU consumers is enshrined in Article 9 (1), which grants them the right of withdrawal for a period of 14 days without providing any justification¹². That Article protects consumers from making impulsive decisions by giving them a short time period to withdraw their purchase, while sellers, on the other hand, cannot exercise the same right.¹³

The main research questions this thesis tries to examine is whether the right of withdrawal is a fair consumer safeguard or an unjust burden on businesses and what are environmental and competitive impacts of this right. To achieve that goal, it is important to answer if the Directive achieves its aim by protecting consumers or creates new and unjust complexities on the side of traders. Firstly, the thesis will analyze the legal framework of the right of withdrawal in the EU and give readers a solid insight into its application for consumers and sellers. The next section will assess the impact of the right of withdrawal on businesses and will reveal the complexities which are not spoken about by the EU directive. The following chapter will examine the environmental consequences of large-scale returns. The final chapter will explore how the right of withdrawal influences market competition imbalance, especially between huge platforms and small and medium-sized enterprises.

¹¹ European Commission, 'Commission Guidance on the Interpretation and Application of Directive 2011/83/EU', (European e-Justice Training Platform) <https://european-training-platform.e-justice.europa.eu/search-training-materials/commission-guidance-interpretation-and-application-directive-201183eu> accessed 13/05/2025

¹² Directive 2011/83/EU, art 9 (1)

¹³ Marco B.M. Loos, 'Rights of Withdrawal', (2009/04), Centre for the Study of European Contract Law, 2, see: Cf. case C-423/97, ECJ 22 April 1999, ECR 1999, I-2195 (Travel Vac SL/Anselm Sanchis), nos. 57-58

The Legal Framework of the Right of Withdrawal

The legal framework of consumer protection in the EU dates back to the mid-1980s. However, the first real groundbreaking point in this field was the adoption of Directive 93/13/EEC on Unfair Contract Terms in Consumer Contracts in 1993.¹⁴ It is noteworthy that one of the main predecessors of the EU Directive 2011/83 was Directive 97/7/EC¹⁵ on the protection of consumers in respect of distance contracts whose main objective was for the member states to harmonize their laws and regulations between suppliers and consumers¹⁶.

The birth of EU consumer law is strongly associated with the Internal Market programme.¹⁷ It became evident to the European Union that if they wanted to create and maintain a strong Internal Market, consumer protection was one of the leading ways to achieve this goal. It is logical that consumers will be discouraged from engaging in cross-border exchanges if they do not feel that their rights are protected in foreign markets as well.¹⁸

The final and main directive on consumer protection within the EU, Directive 2011/83/EU was adopted on 25 October 2011 with the goal of achieving consumer protection through harmonizing specific aspects of Member States' laws and regulations related to contracts between consumers and suppliers.¹⁹

¹⁴ Jules Stuyck, 'The Transformation of Consumer Law in the Eu in the Last 20 Years', (2013), 20 (3), Maastricht Journal of European and Comparative Law, 385

¹⁵ Directive 2011/83/EU

¹⁶ Directive 97/7/EC of the European Parliament and of the Council of 20 May 1997 on the protection of consumers in respect of distance contracts [1997] OJ 144/19, art 1.

¹⁷ Jules Stuyck, 'The Transformation of Consumer Law in the Eu in the Last 20 Years', 386

¹⁸ Ibid citing Thomas Wilhelmsson, 'The Abuse of the 'Confident Consumer' as a Justification for EC Consumer Law', (2004), 27(3), Journal of Consumer Policy, 317-337

¹⁹ Directive 2011/83/EU, art 1

Given Directive tries to promote to consumer confidence especially in online and off-premise purchases, in various ways. One of these is Article 9, which focuses on the right of withdrawal.²⁰

The legal concept of the right of withdrawal contradicts the binding nature of consumer contracts. It means that when two parties agree on certain terms and obligations which are outlined and written in a contract, those terms should be fulfilled. However, with the right of withdrawal consumers can unilaterally cancel their purchase which is against the binding force of the traditional meaning of contracts.²¹ Therefore, the right of withdrawal equips consumers with the right to cancel or end a contract or agreement within 14-day period.²² This provision does not place an obligation on consumers or require any particular justification to exercise this right and there is no binding specific rationale. Therefore, consumers can invoke this right without any existing precondition or giving an explanation. However, this right can only be applied in distance contract and if the purchase is made online or contract is off-premises.²³

It is important to understand in which scenarios the benefit provided by the Directive can take place. As mentioned, there are two main situations: either contract must be distance or off-premises.²⁴ The development of technology and the internet has given people opportunity to communicate and make transactions even if they are thousands of kilometers away from each other, making physical borders no longer an obstacle in the 21st

²⁰ Ibid art 9 (1), 9 (2)

²¹ Marco B.M. Loos, 'Rights of Withdrawal', 3

²² Directive 2011/83/EU, art 9 (1)

²³ Ibid art 9 (1)

²⁴ Ibid

century. As a result, contracts are concluded not only in person but also at a distance. If a contract between a trader and a consumer is concluded without their simultaneous physical presence with either one or more means of distance communication and including the time at which the contract is concluded, this leads us to exact definition of distance contract.²⁵ Given definition is especially important in e-commerce and online shopping.

By Directive's definition, if a contract is concluded or an offer is made in the simultaneous physical presence of trader and consumer but outside the trader's business premises, it falls under the protection of Article 2(8) of the Directive.²⁶ Another situation is when the trader organizes an excursion for selling goods or services to consumers²⁷. The next scenario that also falls under the protection of aforementioned article is when consumer and trader meet each other at a location that is not the seller's business premises but after that contract is concluded on the business premises of the trader or through any means of remote communication.²⁸

The above-mentioned definitions of distance and off-premises contracts outline in which circumstances it can be exercised in the given 14-days period. While consumers benefit from the high standard of protection, question of imbalance arises on the business side which leads us to the next question of who is the actual weaker party in contract. If consumers are granted this significant level of protection, it should be fair for businesses to receive certain level of balanced approach as well.

²⁵ Ibid art 2 (7)

²⁶ Ibid art 2 (8a)

²⁷ Ibid art 2 (8d)

²⁸ Ibid art 2 (8c)

The 14-day withdrawal period begins at different times depending on the type of contract.²⁹

For instance, in case of a service contract, the period starts on the day the contract is concluded.³⁰ In the case of sales contract, physical possession of goods is the deciding factor because the countdown of the withdrawal period starts the day consumer or third party indicated by the consumer (not carrier) obtains control of the goods.³¹

Exercise of the right of withdrawal operates following way: before the deadline of the withdrawal period consumer has the duty of informing the trader of exercising this right under Article 11 (1) of the Directive.³² It can be carried out in two ways: consumer has to either use the model withdrawal form provided by EU in Annex I(b) of the Directive³³ or make a clear and unambiguous statement that they want to withdraw the purchase.³⁴

The Directive places obligations on both sides of the contract. Under Article 13, in the event of withdrawal trader is obliged to reimburse all payments that he received from the consumer without undue delay no later than 14 days. This timeframe starts on the day when he was informed about the exercise of this right from the consumer's decision to withdraw from the contract.³⁵ On the other side, consumer has to send back the delivered item in the same timeframe from the day that he communicated with trader about this right³⁶. After exercising this right, contract is automatically terminated³⁷. This possibility comes with many complexities that burden businesses in a specific way.

²⁹ Ibid art 9 (2)

³⁰ Ibid art 9 (2a)

³¹ Ibid art 9 (2b)

³² Ibid art 11 (1)

³³ Ibid art 11 (1a)

³⁴ Ibid art 11 (1b)

³⁵ Ibid art 13 (1)

³⁶ Ibid art 14 (1)

³⁷ Ibid art 15 (1)

The right of withdrawal comes with certain exceptions. It is not ultimate and can be limited in certain cases under Article 16 of the Directive³⁸. In case of service contracts, when service is already fully performed and the work has already been done, even if the consumer has time left until 14-day period expires, they cannot exercise the given right if the performance was begun with consumer's prior express consent. In addition, they should also be informed and made aware that this right will be lost once the contract is fully performed.³⁹ Accordingly, the work done by a person will not be disregarded and disrespected. Therefore, these exceptions seek to balance the right granted to consumers and ensuring that a person's labor is not unfairly dismissed.

Another important exception under Article 16 of Directive is about customized goods. The right of withdrawal does not apply for consumers who have ordered personalized good which was created specifically for them and their needs.⁴⁰ For example, if someone makes an order of a t-shirt with chosen logos, text, or even their personal name on it, this item is considered to be personalized. This exception under Article 16 protects businesses and sellers when they can't resell their item for which they already spent resources, labor and time and prevents consumers from unjustifiably canceling the order.

One of the most burdensome aspects of the Directive is Article 10 which addresses the omission of information on the right of withdrawal.⁴¹ Under this provision, sellers have an obligation to inform consumers of their right to withdraw. If they fail to do so, consumers'

³⁸ Ibid art 16

³⁹ Ibid art 16 (a)

⁴⁰ Ibid art 16 (c)

⁴¹ Ibid art 10

right to withdrawal from the contract extends from 14 days to 12 months.⁴²As given directive is eager to protect consumer's side, it is under question if such a significant time extension grants too much power to consumers while placing a heavy burden on businesses. The Above-mentioned concern is more evident in the following example. Suppose a consumer purchases professional and expensive tools online. A seller omits to inform him immediately about his right of withdrawal and buyer's right exceeds from 14 days to 1 year. After one year, consumer no longer needs this set of professional tools and decides to return them with no trace of noticeable use. On the other side, the seller has to take those items back and even return the money. Therefore, business can no longer resell the used item, loses profit and must refund the payment.

Businesses' obligations on the information on the right of withdrawal, their limited timeframe for reimbursement, risk of misused practices often leaves doubts about balanced rights between parties which will be explored in following chapters.

⁴² Ibid art 10 (1)

Impact of the Right to Withdrawal on Businesses: Fraudulent and Opportunistic Returns

Directive 2011/83/EU clearly states its intended aim: to strengthen safeguards of consumer protection through harmonizing several aspects of national legislation governing contracts between consumers and traders and to facilitate trade between European Union Member States with a special focus on consumers who make purchases online⁴³. To achieve this goal, the EU entitles them to certain rights, one of which is the right of withdrawal.⁴⁴ This possibility comes with many complexities that burden businesses in a specific way.

While given protections provided by the Directive aim to benefit consumers, it is important to consider its unfavorable impact on businesses and what challenges they have to encounter. It is worth noting that both parties should be equally and fairly treated in contract. Therefore, the issues and challenges for businesses caused by this generous benefit offered by EU to consumers will be examined step by step.

Opportunistic returns refer to actions by consumers who purchase an item with the intention to return it back. Although, the value that they benefit from during the return period sometimes exceeds the actual cost of purchasing an item and then sending it back. The most common opportunistic return practice is “wardrobing”, along with borrowing and renting by consumers, such as a party dress to attend an event⁴⁵.

This is a practical illustration of the aforementioned problem. Since its launch in 2000, NET-A-PORTER has become a premier luxury fashion retailer for women, which has clothing, shoes, bags and many other things from high fashion designers such as Alexander McQueen,

⁴³ European Commission, ‘Consumer Information, Right of Withdrawal and Other Consumer Rights’ (n 8)

⁴⁴ Directive 2011/83/EU, art 9

⁴⁵ M. Serkan Akturk, Michael Ketzenberg, Baris Yildiz, ‘Managing Consumer Returns with Technology-Enabled Countermeasures’, (2021), 102, Omega,1

Saint Laurent, Stella McCartney Etc. On the site, given luxury items can be purchased with 5000 dollars and more.⁴⁶ With its lenient return policy, NET-A-PORTER offers consumers 28 days from receiving the order to exchange or return the item.⁴⁷ Imagine a dress worth \$5000 is purchased by a woman who uses it for a special occasion or an important event, benefits from this very precious and pretty item and then returns it claiming it either “did not fit” or she did not like it after days.

In my opinion, this creates a significant problem for businesses. While it is true that this policy is very “consumer friendly” which helps a business to gain sympathy and trust from consumers, it can significantly encourage opportunistic returns and increase the chance of misuse. Why is it a problem for this specific business or other businesses? Even though 28 days of return possibility sounds very appealing, it is double the obligatory return period required by the Directive. While NET-A-PORTER can earn consumer satisfaction, it encourages other traders to increase this period and to make their return policies more lenient than they are supposed to, just to keep up with the competition where one business sets the bar high. It is true that this flexible policy by NET-A-PORTER voluntarily grants a more generous possibility to its consumers and it is considered a competitive move possibly to gain a competitive advantage over other similar businesses. As a result, smaller businesses, despite the lack of resources, feel compelled to adopt liberal approach as well to stay viable. Even though, businesses have the right to adjust their policies as they wish, the end consequences for the market as a whole turns out to be significantly different. As Professor Rott indicated in his work, the use of goods in either distance selling or at the doorstep “turns new goods into second-hand goods, which in itself seriously impacts on the value of the good.”⁴⁸ Therefore, traders can no longer resell the

⁴⁶ Net-a-Porter, ‘About Us’, <https://www.net-a-porter.com/en-us/content/about-us/> accessed 25/05/2025

⁴⁷ Net-a-Porter, ‘Exchanges and Returns’, <https://www.net-a-porter.com/en-us/content/help/exchanges-and-returns/> accessed 25/05/2025

⁴⁸ Peter Rott, ‘Harmonising Different Rights of Withdrawal: Can German Law Serve as an Example for EC Consumer law?’, (2006), 7 (12), German Law Journal, 1127

item with the exact same value after it has been worn. Therefore, profit that the trader should have gained from a normal use is now decreased and seller cannot benefit from the same profit because of the diminished value of the product.

Another type of fraud is when an item is replaced with either a broken or fake one. There are incidents when consumers make a purchase and send back an empty parcel, get a full refund if they get lucky and trader does not check it and gain twice the benefit by both keeping an item and getting a refund⁴⁹. A clear demonstration of this type of fraud was the real-life Amazon case of James Gilbert Kwarteng of Palma de Mallorca, Spain. He would make an order, purchase an item, and would benefit from Amazon's 30 days of return policy. Instead of sending the items back, he would fill the parcels with dirt⁵⁰ that weighed exactly the same as the products⁵¹ and get a full refund. The sum of these orders were 370,000 dollars in the end⁵². This kind of fraudulent behavior creates huge financial risks for businesses, especially for consumer friendly and generous return policy ones that are more or less depended on consumer honesty. Based on one seller's report, returns on Amazon are four-five times more intense than on his other website, which in reality puts sellers at the risk of fraud.⁵³ Therefore, it seems that it is significantly more difficult for such large businesses, such as Amazon, to handle high turnover. It is also logical that for business, who has to deal with extreme number of returns, the costs of operational and administrative procedures will be significantly increased.

⁴⁹ Danni Zhang and others, 'Understanding Fraudulent Returns and Mitigation Strategies in Multichannel Retailing', (2023), 70, *Journal of Retailing and Consumer Services*, 2

⁵⁰ 'REPORT: Amazon's 'Dirty' Customer' (HBSDealer, 8 June 2019) https://hbsdealer.com/news/report-amazons-dirty-customer?utm_source accessed 27/05/2025

⁵¹ 'Amazon allegedly scammed out of \$370K by 22-year-old's return shipments of dirt' (Fox29, 2 August 2019) https://www.fox29.com/news/amazon-allegedly-scammed-out-of-370k-after-22-year-old-returns-packages-filled-with-dirt?utm_source accessed 27/05/2025

⁵² Report: Amazon's 'Dirty' Customer', (n 50)

⁵³ Margarida Silva, 'Amazon's European Chokehold, Independent Sellers and the Economy Under Amazon's Monopoly Power', (2023), SOMO (Centre for Research on Multinational Corporations), 20

Another very common type of fraud is when fraudsters claim they have not received the parcel and ask for a compensation, either full refund or redelivery⁵⁴. In 2019, this type of fraud caused UK retailers to lose £400 million⁵⁵. As shown, this is an immense financial loss for traders. Therefore, in my opinion, when the given situation occurs, where consumers get either a full refund or redelivery for an item that they have already received, it is unjustifiably and twice costly for businesses to deal with frauds because of the lenient directive obligations and policies. And, if this soft approach becomes a common practice, which will accordingly increase return rates and value of returned goods.

Returned products are not the most favorable thing for traders to deal with. First of all, they need extra inspection checks after being returned to see if they are in the same condition or if they are damaged and of lower quality⁵⁶. There is a case where a fashion e-tailer spent \$530 million on returns and \$500 million on sales.⁵⁷ Therefore, sometimes the costs and expenses that businesses spent on processing returned items exceed the revenue gained from sales. These numbers clearly demonstrate the significant burden that a lenient policy can pose on businesses. Consequently, in some cases, they not only earn a little money but suffer a loss. In addition, even if an item is not returned damaged, natural wear and tear must also be taken into consideration. The influence of natural wear and tear on an item will make it less valuable because initial condition of it might have been different. Therefore, handling returns take extra effort, cost and time. All of these along with sorting processes are associated with additional costs which in the end can exceed the earned revenue.

⁵⁴ Danni Zhang and others, 'Understanding Fraudulent Returns and Mitigation Strategies in Multichannel Retailing', 5

⁵⁵ Ibid 5, citing Pierce, F., 2020, May 17. 'Goods lost in transit' threaten UK supply chain. Digital Supply Chain. Retrieved from. <https://supplychaindigital.com/digital-supply-chain/goods-lost-transit-threaten-uk-supply-chain>

⁵⁶ Thomas S. Robertson, Ryan Hamilton, Sandy D Jap, 'Many (Un)happy Returns? The Changing Nature of Retail Product Returns and Future Research Directions', (2020), Journal of Retailing, 174

⁵⁷ Ibid 174, citing Mondalek, Alexandra (2019), 'Revolve Thinks It's Worth \$1.2 Billion. Will the Market Agree?', Vogue Business', (June 7,2019)

The study which was published in the journal “Resources, Conversation and Recycling” emphasized that 22%-44% of returned items are never sold to another consumer.⁵⁸ Therefore, they stay unsold and before reselling them again they lose their cost. Returned goods take a significant amount of warehouse spaces.⁵⁹ These returns can lead to warehouse overstocking because at some point inventory becomes excessive. It can be caused by poor demand forecasting.⁶⁰ Anticipating the number of returned items can be quite challenging. When inventory exceeds the consumer needs, overstocking occurs.⁶¹ This can have significantly harmful effect on businesses. As a result, a considerable amount of financial capital gets tied up that could have been utilized in other useful things for the business operation. In addition to that, the number of big returns needs extra space for storing. Consequently, when items end up unsold, extra goods become hard to handle.⁶² Considering that, storing them might be quite costly. As a result, the right of withdrawal can increase this burden on businesses who are obliged to handle high turnover. The costs, which could have been mobilized and invested into the business development, would eventually end up wasted.

Consumers’ rights are safeguarded under Article 13 of the Directive – granting them the right to reimbursement no later than 14 days after the buyer’s decision to withdraw⁶³. Similar to that case, there have been several reports on Amazon concerning effects of the given article. A third-party seller, who has the account for original Audi door lights reimbursed the money to the consumer for a returned item. While returned items go back in stock, only later did he realize

⁵⁸ ‘Returned Apparel in the EU is Often Not Resold’ (ACROSS THE EUROPEAN PLACEMAKING MAGAZINE, 12 August 2024) <https://www.across-magazine.com/returned-apparel-in-the-eu-is-often-not-resold/#:~:text=lifecycle%20impacts%20associated%20with%20returns%2C,EU%20never%20reach%20another%20consumer> accessed 10/06/2025

⁵⁹ ‘Cutting Costs in Retail Returns Logistics’, (Citizen Systems, 22 December, 2023) <https://www.citizen-systems.com/en/news/cutting-costs-in-retail-returns-logistics#:~:text=2,the%20products%20also%20incurs%20costs> accessed 11/06/2025

⁶⁰ ‘Inventory Overstocking: Causes, Effects and How to Tackle It’, (Uphance) <https://www.uphance.com/insights/what-is-overstocking/> accessed 10/06/2026

⁶¹ Ibid

⁶² Ibid

⁶³ Directive 2011/83/EU art 13 (1)

that the received door lights were fake and therefore, unsellable.⁶⁴ The aforementioned case concerning scam scheme of returned parcels filled with dirt is the clear demonstration of the given risk as well. These cases underline the existing problem of businesses, having to deal with damaged, replaced or not even existing items which appears only after reimbursement. Therefore, repayment before inspecting goods and checking their condition later is additional burden on businesses.

Article 16 of the directive lists the exceptions to the right of withdrawal in which cases it would not be justified for consumers to withdraw from a contract⁶⁵. While this article seems to protect traders from an unjust contract cancellation, there still are some loopholes that need to be assessed.

The first provision of Article 16 (a) states that a consumer cannot withdraw their decision on service contract after the contract has been fully performed⁶⁶. Given article does not cover or protect situations where service contractor has started performing, carried out certain amount of work, put an effort but has not finished, fully performed it yet. In my view, the major loophole of the given provision is that it is designed in a way to only cover fully performed and finished service. On the other hand, service providers who still carried out substantial part of the work but don't fall under this article's protection just because the work has not been completely finalized, yet delivered considerable amount of labor with noteworthy effort, seem to appear not in the equally fair condition as consumers. Therefore, in any case of a dispute or misunderstanding, buyer can easily claim to be in a winning position if seller's performance has not been fully completed as agreed before. As a result, article seems to disregard the effort and hard work conducted by service provider and put them in a disadvantage while still allowing consumer to exercise their right of withdraw. Accordingly, this article appears to lack

⁶⁴ See the comment provided by the seller on Amazon website https://sellercentral-europe.amazon.com/seller-forums/discussions/t/daf521985ea20d0daa3e779015d5f693?utm_source accessed 11/06/2025

⁶⁵ Directive 2011/83/EU art 16

⁶⁶ Ibid art. 16 (a)

a fair and justifiable balance between consumer's rights and service provider's interests where golden mean is still to be found.

Turning to Article 16(c) the Directive offers another exception to the right of withdrawal for goods that are made to the consumer's specifications or are either clearly personalized⁶⁷. This provision lacks clear definition of what can be considered as "clearly personalized" good which can cause ambiguity and therefore, create confusing situations. Therefore, Article 16(c) leaves room for interpretation and ambiguity which can put the trader on the practical and economic risk in case of a dispute, even if they are acting in good faith.

Under Article 16 (d) of the Directive, the supply of goods which are liable to deteriorate or expire rapidly cannot be withdrawn⁶⁸. At first sight, this clause might seem clear and on the side of supporting traders but it needs clarification. Goods which are liable to deteriorate or expire rapidly may become the subject of a dispute if parties don't agree with each other about the perishability of the good. This confusion leads us to disputes and situations where both parties can argue their side of the story. As a solution, it would be time and also money consuming if the Directive had an exhaustive list of goods which are liable to deteriorate or expire rapidly. This would avoid a lot of confusion along with futile disputes.

This chapter revealed that there is a significant imbalance caused by the Directive 2011/83/EU between consumers and sellers. While consumer protection is crucial, in the meantime it causes an unjustifiable burden on businesses. Small enterprises feel compelled to adopt lenient policies. From illegal returns⁶⁹ to product "over-use"⁷⁰, the right of withdrawal significantly encumbers businesses. All the aforementioned difficulties that come with the right of withdrawal are quite costly for businesses to handle. Exceptions of the withdrawal right need

⁶⁷ Ibid art 16 (c)

⁶⁸ Ibid art 16 (d)

⁶⁹ Zhang and others (n 49)

⁷⁰ Akturk, Ketzenberg, Yildiz (n 45)

to be revised and clarified to avoid many uncertainties and time-draining disputes. As a result, the Directive does not offer a balanced approach for both consumer protection and the smooth and successful operation of businesses. Consumers seem to be the privileged party in business-to-consumer relationship at the expense of the seller's viability.

Impact of the Right of Withdrawal on the Environment

The Directive 2011/83/EU on consumer rights clearly states its intended goals. It is designed particularly in a way to protect consumers who purchase things online. Moreover, by offering specific safeguards, it is supposed to encourage trade between European Union Member States.⁷¹ While the Directive seeks to shield consumers by offering certain protections, it is intriguing to assess how the right of withdrawal affects environment, what are the hidden drawbacks of return policy and what can be done to avoid undesirable consequences.

There are several reasons why returns are considered harmful to the environment. The process of returning an item is automatically associated with cleaning, re-packaging, repairing and shipping. These scenarios noticeably harm the environment, considering the fact that 3 million cars in the US release the same emissions as the clothing returns.⁷²

Returned items are generally collected by couriers in trucks before they send them back to retailers, very often retail warehouses are overseas which means that these packages have to travel internationally. It is no surprise that shipping containers impose significant pressure on the environment leading to carbon emissions.⁷³

Fast fashion is a prime case in point. This is generally defined as an inexpensive production of high fashion or costly items which gets popular pretty fast because of the current trends. Fashion production generates 10% of global carbon emissions which significantly pollutes rivers and water sources.⁷⁴ Fast fashion consumption significantly impacts carbon emissions and energy consumptions at every stage of the product's lifecycle, whether it is production,

⁷¹ European Commission, 'Consumer Information, Right of Withdrawal and Other Consumer Rights' (n 8)

⁷² Tamara Davison, 'The Environmental Impact of Returning Online Products' (CleanHub, 5 November 2024) https://blog.cleanhub.com/ecommerce-returns-environmental-impact?utm_source accessed 01/06/2025

⁷³ Ibid

⁷⁴ Rashmila Maiti, 'the Environmental Impact of Fast Fashion, Explained' (Earth.Org, 20 January 2025) https://earth.org/fast-fashions-detrimental-effect-on-the-environment/?utm_source accessed 01/06/2025

transportation or disposal.⁷⁵ Therefore, by aforementioned information, if we consider how much carbon emissions and energy consumptions are spent throughout the year alone just by items' production and transportation, this number has to double by the returned products. At least 50% of consumers from online shopping return one item every year.⁷⁶ While it is true that lenient return policies make shopping look way more appealing and consumers prefer businesses flexible return rules, at the same time it noticeably increases the number of returns⁷⁷ which automatically doubles the transportation. Therefore, returning products can have a serious impact on climate change and the harmful consequences of the environment.⁷⁸

Polyester and nylon are synthetic fibres that brands constantly use which takes up to hundreds of years to biodegrade. Fast fashion is associated with greenhouse gas emissions and the usage of significant amounts of water and energy⁷⁹. Let alone the number of this sources that are spent just by initial production and transportation, if we consider these resources are accordingly doubled by returned items, the environment damage has to be twice as much.

Excess packaging is another complexity added on top of all environmental problems. Returned items are associated with unwrapping and even re-packaging them for resale.⁸⁰ Amazon tells consumers that if the original packaging is not available, „place your device in a plastic bag and place it in a standard brown box.”⁸¹ This excessive plastic – business encouraged policy, related to returns to use plastic or more packaging to protect an item is another environmental burden.

⁷⁵ Zhikun Li and others, The Carbon Footprint of Fast Fashion Consumption and Mitigation Strategies-a Case Study of Jeans, (2024), 924, *Science of the Total Environment*, 2, citing Niinimäki, K., Peters, G., Dahlbo, H., Perry, P., Rissanen, T., Gwilt, A., 2020. The environmental price of fast fashion. *Nat. Rev. Earth Environ.* 1 (4), 189–200.

⁷⁶ Anastasia Belyh, '42 Ecommerce Return Statistics for 2025' (Keeve, 13 February 2025) <https://www.keeeve.com/ecommerce-return-statistics> accessed 13/06/2025

⁷⁷ Division (n 72)

⁷⁸ Division (n 72)

⁷⁹ Maiti (n 74)

⁸⁰ Division (n 72)

⁸¹ Repackage Your Amazon Device Returns' https://www.amazon.com/gp/help/customer/display.html?nodeId=TK0acr8VuwnSD0ZNYU&utm_source accessed 01/06/2025

The starting point of abovementioned environmental problems lies in extremely consumer generous Directive 2011/83/EU. Even though shielding consumers with considerable safeguards is essentially important, its powerful impact on the environment should not be neglected. Lenient business policies, even if it is designed in the given way to attract consumers trust and goodwill, encourage high return rates which, as we saw, is linked to the increased level of harmful consequences on the environment.⁸² As a result, it is critically important to strike the right balance between the “consumer-friendly” approach of the EU and its effect on environmental degradation. The golden path is yet to be found.

The EU’s official portal explicitly states its environmental objectives. The general goal is to make Europe greener and more sustainable. The EU is quite ambitious saying it offers the highest level of environmental standards in the world to its citizens. The EU and national governments work together to execute their goals. These goals include protecting and strengthening the EU’s natural capital and turning the environment of EU member states into a resource-efficient, green and low-carbon economy. The Union claims to protect its citizens from an unsafe ecosystem by working on air and water quality improvements, waste management and reducing the damaging impact of harmful chemicals.⁸³

While the stated aims of the European Union about environmental policy are quite clear, it is intriguing to assess how well their goals align with actual reality. Directive 2011/83/EU, while focusing on meaningful rights of consumers, is completely silent about sustainability and environmental concerns. Moreover, the way the Directive is designed to shield the EU consumers contradict Union’s own stated goals. The broad and 14 days possibility of the right of withdrawal which, as we saw, is associated with transportation, carbon emissions, re-packaging⁸⁴ and a decent amount of waste not only supports to achieve the stated objectives of

⁸² Division (n 72)

⁸³ European Union, ‘Towards a Greener and More Sustainable Europe’ https://european-union.europa.eu/priorities-and-actions/actions-topic/environment_en?utm_source accessed 12/06/2025

⁸⁴ Division (n 72)

the Directive but it also worsens the environmental condition across Europe. All directives and policies developed by the Union should only support and assist its environmental priorities, not contradict them. Therefore, the conflicting situation is created when all directives must be consistent and align with their objectives, they actually undermine them. As we saw above, the Directive 2011/83/EU has a role in the increased level of carbon emissions and waste by indirectly encouraging businesses and consumers to use plastic and by offering a wide range of protective measures like the right of withdrawal.

These environmental outcomes demonstrate harmful effects that the right of withdrawal has on the environment. Fast fashion which is associated with production, transportation and disposal, is the significant source of carbon emissions.⁸⁵ Business-encouraged policies to use extra packaging increase the level of plastic in the world⁸⁶. While the goal of the 2011/83/EU Directive is consumer protection, it somewhat fails to align with the EU's environmental objectives and ambitions for a green and low-carbon economy. Policymakers need to find a balance between EU's environmental goals ⁸⁷and the Consumer Rights Directive to make sure that these goals do not contradict but rather complement each other.

The Impact of the Right of Withdrawal on Competition

As I have discussed, return rates in e-commerce are one of the most complicated issues to deal with for businesses.⁸⁸ It is therefore important to see how different size of platforms

⁸⁵ Li and others (n 75)

⁸⁶ See above (n 81)

⁸⁷ See above (n 83)

⁸⁸ Brian Wang, 'The Hidden Cost of Return – Tackling E-commerce's Biggest Profit Killer' (nextBIGFUTURE, 15 September 2024) https://www.nextbigfuture.com/2024/09/the-hidden-cost-of-return-tackling-e-commerces-biggest-profit-killer.html?utm_source accessed 05/06/2025

and businesses can handle it and what kind of challenges it is associated with for them. Even though the financial costs of return policies are mostly always massive⁸⁹, it is intriguing to discuss what does it cost for dominant market platforms and Small and Medium-sized Enterprises to comply with the Directive.

Due to the fact that returned items' costs are connected to the costs of shipping, additional costs of labor, restocking and inspection along with other disposal fees, it is precisely sensitive and burdensome for the profitability of SMEs to cope with given difficulties.⁹⁰

Along with the reasons mentioned above which influence the cost of returns are also transportation, preparation, cleaning and processing returned items.⁹¹ These factors make it significantly costly for businesses to handle return policy. For less expensive items average price can vary from 5-10 € per item and for more massive, valuable ones it can increase to 10-20 €.⁹²

For illustrative purposes, we take Amazon as a typical example of other dominant online retailers in the market. Other than being a retailer Amazon integrates multiple services and areas under one platform, such as a logistics network, a payment service, a hardware manufacturer, a delivery network etc.⁹³ It is quite obvious that for such a major online platform with numerous services, complying with the right of withdrawal and handling significant number of return rates does not sound as the most challenging problem. On the other hand, according to the Explanatory Memorandum from the European Commission

⁸⁹ Ibid

⁹⁰ Ibid

⁹¹ 'Return Management in E-commerce: How to Reduce Your Return Rates' (ecosistant, 19 December 2024) https://www.ecosistant.eu/en/return-management-in-e-commerce-how-to-reduce-your-return-rates/?utm_source accessed 05/06/2025

⁹² Ibid

⁹³ Lina M. Khan, 'Amazon's Antitrust Paradox', (2017), 126, The Yale Law Journal, 754

on the Application of Directive 2011/83/EU on Consumer Rights, there have been some reports about qualitative assessments which seem to be burdensome for SMEs. Assessment of returned items, that SMEs claim to usually be used beyond their “try-on” purpose, is certainly complicated along with the difficulty of reselling them.⁹⁴ As we saw, major platforms, who handle complying with the Directive’s right of withdrawal without much complexity because of the multiple service sources that they have⁹⁵, competitive imbalance is created compared to small-scale enterprises and new businesses which find it hard to keep up with such standards. Since Amazon can afford to have a lenient policy which is a great way to attract consumers, SMEs do not have that luxury. Therefore, the preference will be given to big retailers which will harm the smaller enterprises and the competition on the market itself.

Amazon is also known for its service called – Fulfilment by Amazon. Sellers, other than Amazon itself, can store their items there, these items are later packed and shipped by this platform. Amazon claims to simplify processes for sellers this way, offering a range of services, such as, inventory management, returns along with customer service support and customer service for products enrolled as well. Given this opportunity, it is proven to be 30% cheaper than regular shipping possibilities for retailers and 70% lower-priced than two-days shipping options.⁹⁶ Given this example once again emphasizes that the market

⁹⁴ European Commission, ‘Report From the Commission to the European Parliament and the Council on the Application of Directive 2011/83/EU on Consumer Rights’ COM(2017) 259 final, 23 May 2017, explanatory memorandum

https://www.eumonitor.eu/9353000/1/j4nvhdjdk3hydzt_j9vvik7m1c3gyxp/vkegkxvtnpvu#:~:text=specific%20burdens%20have%20been%20reported%2C,1 accessed 12/06/2025

⁹⁵ Khan (n 93)

⁹⁶ Margarida Silva, ‘Amazon’s European Chokehold, Independent Sellers and the Economy Under Amazon’s Monopoly Power’, 17

power and the leading business role Amazon and other global e-commerce giants have along with aforementioned services enable them to handle compliance costs smoothly. On the other way around, SMEs need to navigate given compliance with the right of withdrawal with their own resources, while other sellers can simply become part of the huge amazon platform and decrease their expenses by integrating their businesses with big marketplaces. Therefore, the fact that coping with returns and generally the right of withdrawal differs for e-commerce giants and small enterprises, once again highlights the competition imbalance. Consequently, in order for SMEs to keep up with Amazon's competition, they are pressured to collaborate or to be integrated under this platform since they feel realistically threatened by its power⁹⁷. Moreover, cost savings that other sellers gain from integrating with Giants, small businesses have to take upon themselves, therefore, expenses saved by big platform's sellers can be utilized into developing their companies. Hence, this encouragement towards integration can undermine the idea and practical implications of independent and innovative business.

One lesser-known policy of the major US retailers is that in the process of the right of withdrawal they reimburse the payment but at the same time let the consumers keep the item. The policy which is designed to gain consumer satisfaction with low-cost items and sometimes are considered not even worth the shipping price⁹⁸, does not quite represent a burdensome policy for online marketplace leaders nor can it significantly influence their

⁹⁷ Stacy Mitchell and Ron Knox, 'How Amazon Exploits and Undermines Small Businesses, and Why Breaking It Up Would Revive American Entrepreneurship', (2021), Institute for Local Self-Reliance, 1, citing '2019 Independent Business Survey,' Institute for Local Self-Reliance, July 2019

⁹⁸ Haleluya Hadero, 'Many Retailers Offer 'Returnless Refunds'. Just Don't Expect Them to Say for Which Products' (APNews, 4 November, 2024) <https://apnews.com/article/customer-returns-refunds-keep-items-amazon-54d94df2f40866020300685db6dd32f9> accessed 13/06/2025

profitability. However, based on this rationale, consumers who are pleased and encouraged by this policy benefit, can unconsciously make choices that favor Amazon. As a result, SMEs will be indirectly pressured to adopt this policy, in order not to sink and to keep up with the competition. Accordingly, smaller enterprises will be urged to seek resources that they do not have but they will feel the need that it is necessary to suit in the business environment. In 2019, significant number of individually operated businesses highlighted concerns about Amazon's controlling strength which threatens their ability to stay in business.⁹⁹

According to some reports, Amazon is accused of observing and monitoring traders on its platform. Later the collected data is analyzed to create more competitive models of high-demand products¹⁰⁰. This tech giant has also been accused of investing in startups to take the ideas and creativity from them and developing the competing products.¹⁰¹It goes without saying that this approach of stealing vision and ideas from smaller businesses can seriously damage motivation, slow down the innovation and add an additional burden on SMEs who are trying to find their place next to tech giants. This additional pressure on SMEs makes it even more difficult along with other costs to manage the right of withdrawal, meanwhile, big platforms benefit significantly from their ideas and handle return rates without difficulty.

⁹⁹ Stacy Mitchell and Ron Knox, 'How Amazon Exploits and Undermines Small Businesses, and Why Breaking It Up Would Revive American Entrepreneurship', 1

¹⁰⁰ Stacy Mitchell and Ron Knox (n 99), 2, citing House Investigation at 274-282; "Amazon Scooped Up Data From Its Own Sellers to Launch Competing Products," Dana Mattioli, The Wall Street Journal, April 23, 2020

¹⁰¹ Stacy Mitchell and Ron Knox (n 99), 2

Return rates are one of the major challenges for businesses. However, they often handle it differently based on their size and resources. The costs of shipping, additional labor, inspection are especially burdensome for SMEs¹⁰². Due to the abundant resources¹⁰³ and services big platforms manage to deal with them easily. While Amazon can afford to earn consumer satisfaction by offering costumers lenient return policies small enterprises do not have the same luxury because they lack the number of resources that tech giants have¹⁰⁴. Therefore, leading to competitive imbalance. In addition, SMEs are often pressured to integrate with them¹⁰⁵, giving up their independence which seriously threatens the innovation. The right of withdrawal indirectly gives an advantage to larger platforms who due to their resources cope with the Directives obligations smoothly while small ones still struggle to survive in big player's shadows. In today's reality where all platforms are equally responsible despite their size and profit the competition becomes significantly imbalanced. While the Directive tries to protect consumers, in the long-term perspective it actually risks their interests. If the survival of SMEs will be under question, dominant platforms will take over the whole market, leading to less innovation and no market diversity. Therefore, consumers will be left with few platforms who have enough power to control prices and destroy healthy competition. Accordingly, in the end, consumers long-term well-being is undermined and innovation is destroyed.

¹⁰² Wang (n 88)

¹⁰³ Khan (n 93)

¹⁰⁴ European Commission, 'Report on the Application of Directive 2011/83/EU' (n 94)

¹⁰⁵ Stacy Mitchell and Ron Knox (n 99), 2

Conclusion

The emergence of e-commerce and the rapid growth of online trade have created a need to regulate the relationship between consumers and businesses on online platforms. The EU is committed to consumer protection and equips them with the right of withdrawal in online transactions – a 14-day period to cancel their purchase.¹⁰⁶ While this right is designed to ensure consumer protection¹⁰⁷ and confidence in online sales, it creates a significant imbalance on businesses. The aim of this thesis was to critically assess the effects of the right of withdrawal on businesses along with environmental and competitive challenges it is associated with and to answer the question whether it is a fair safeguard for consumers or a disproportionate burden on businesses.

Due to the right of withdrawal, businesses face challenges, such as “wardrobing”, returning a broken or fake item¹⁰⁸ asking for a full refund for an already delivered item¹⁰⁹. These problems are extremely complex to track and sometimes become even impossible to control. Therefore, the number of fraudulent practices increases. Smaller businesses constantly feel the pressure to make their return policies as friendly as other brands to keep up with their competition. Stocking is an additional burden for them¹¹⁰. As a result, all these unrevealed hardships and the significant financial burden on businesses are something that the Directive does not address. While protecting consumer rights and ensuring their confidence and safety in online transactions are extremely important, it does not have to be balanced at the expense of the oppressed position of businesses. In the end, the imbalance created by favoring one party undermines the fairness for another.

¹⁰⁶ Directive 2011/83/EU, art 9

¹⁰⁷ European Commission, ‘Consumer Information, Right of Withdrawal and Other Consumer Rights’ (n 8)

¹⁰⁸ Zhang and others (n 49)

¹⁰⁹ Zhang and others (n 54)

¹¹⁰ See above (n 59)

Harmful consequences of the right of withdrawal are not limited only to the negative impact on businesses. It also has damaging effect on the environment. Cleaning, re-packaging and shipping containers of returned items are the cause of carbon emissions¹¹¹. Excessive packaging is automatically associated with using more plastic. These factors seriously influence environmental well-being¹¹². As a result, the outcomes of the withdrawal right and the EU's environmental goals are inconsistent with each other.

Furthermore, the thesis has shown that major platforms and their policies noticeably influence the competition imbalance. While handling the costs of returns is easier for larger platforms, they offer lenient policies and push smaller enterprises to either integrate with them or independently enter the disproportionate market of players where only tech giants are able to dominate the market.

The analysis revealed that the Directive has one-sided protection and fails to offer balanced approach for both parties. Protecting consumers is necessary but not at the expense of disregarding another party's rights. While the environment and competition are also negatively impacted by the right of withdrawal, it is clear that there is a need for a new, more balanced approach. Therefore, given approach clearly exposes unequal treatment and unjustifiable burden on businesses.

¹¹¹ Division (n 72)

¹¹² Division (n 72)

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