

# Carvana: How long should the return promise last?

**Internal ID:** S&F-STR-129

**Topic:** Customer Strategy, Operations Strategy, Competitive Strategy

**Industry:** Automotive Retail

**Source:** Strategy & Finance

**Publication date:** 5 October 2026

**License:** Not specified

*Decision setting: 16 April 2024. This case is a hypothetical strategy exercise built from public information available by that date.*

## Buying a car without seeing it first

Carvana built its retail model around an online transaction. A customer can search a large inventory, inspect annotated photographs and vehicle details, arrange financing, and have the car delivered or pick it up. Carvana says its high-definition virtual tours show the actual vehicle and visible imperfections. Every car comes with a seven-day return policy and a separate limited warranty for 100 days or 4,189 miles, whichever comes first; the deductible applies to the warranty.<sup>1</sup>

These promises are part of the product. They are intended to help a buyer make a consequential purchase without the traditional in-person shopping process, and they create work after delivery. Carvana's customer advocates coordinate returns and exchanges. The company says its observed return rates and the cost of honoring the policy support the peace-of-mind benefit. Its public filing does not give the return rate, the day on which customers return cars, or the cost of a returned vehicle by return day.<sup>1</sup>

The distinction between return and warranty matters. A return unwinds a sale; the limited warranty covers specified component repairs for a stated period and mileage, subject to its deductible. Carvana reports warranty expense and liability in its filings, but those figures do not measure the cost of a seven-day return or the additional cost of extending the return window.<sup>1</sup>

## A competitor changes its terms

On 16 April 2024, CarMax filed its fiscal-year report. It described its existing Love Your Car Guarantee as a 24-hour test drive before purchase, a 30-day/1,500-mile money-back guarantee, and a 90-day/4,000-mile limited warranty. The filing said CarMax planned to replace the 30-day guarantee with a ten-day guarantee "in May 2024."<sup>2</sup> It did not specify the day of the change or disclose how customers would respond.

CarMax is an adjacent signal for Carvana: both sell used vehicles, but their shopping, inspection and fulfillment experiences differ. The filing gives Carvana a prompt to review its own offer, not proof that matching CarMax's number of days would win customers.

## Research lens

Return-policy studies do not give a single answer. A meta-analysis across 21 studies found that lenient return policies were associated with both purchase and return behavior, but in its separate analysis of time limits, the purchase association was not statistically significant and the return association was negative.<sup>3</sup> A field study of one multichannel jewelry retailer found no significant online effects when five brands shortened a 100-day return period to 60 days; store sales and returns both fell, and modeled store profit declined.<sup>4</sup> These studies involve different products, channels and policy changes. They do not predict Carvana's response to moving from seven to ten days; they suggest that channel and operating costs should be measured separately.

## The decision

Assume you are advising Carvana's leadership on 16 April 2024. Carvana's seven-day policy is three days shorter than CarMax's planned ten-day term, while Carvana's online disclosures, delivery model and after-sale operations differ. Public information does not reveal how much additional confidence three days would create, how many additional customers would buy, or how much additional cost would follow.

Choose a course of action:

1. Keep the seven-day policy and make the existing vehicle disclosures and post-sale support work harder for customers.
2. Extend the standard return period to ten days.
3. Test a ten-day period in a bounded setting before deciding whether to extend it more broadly. This is a hypothetical option; public sources do not disclose a planned Carvana test or whether policy segmentation is operationally available.

Which option would you choose, and what evidence would you require before committing? Consider customer confidence, online conversion, vehicle quality and description, return timing, reverse logistics, reconditioning, resale recovery and the ability to distinguish a policy effect from changes in inventory or customer mix. Do not assume the longest return period is best or that the lowest return rate is the only objective.

## Selected sources

1. Carvana Co., FY2023 Form 10-K, filed 22 February 2024: [SEC filing](#), Item 1, printed pp. 3-4 and 7-8 (online vehicle tour, seven-day return policy and management rationale); Item 1A, printed pp. 18-19; Note 17, printed p. 120 (limited warranty, separate from returns).
2. CarMax, Inc., FY2024 Form 10-K, filed 16 April 2024: [SEC filing](#), Item 1, printed p. 5 and HTML lines 201-206; revenue-recognition policy, HTML lines 1704-1705. The filing states the planned change would occur in May; no exact effective day is asserted.
3. V. Janakiraman, H. A. Syrdal & R. Freling, "The Effect of Return Policy Leniency on Consumer Purchase and Return Decisions: A Meta-analytic Review," *Journal of Retailing* 92(2) (2016), 226-235, [DOI](#), Tables 3-4, pp. 232-233. The case reports associations and statistical significance, not causal Carvana estimates.

4. E. Ertekin & V. Agrawal, “How Does a Return Period Policy Change Affect Multichannel Retailer Profitability?” *Manufacturing & Service Operations Management* 23(1) (2021), 210-229, DOI, results pp. 12-17. The case reports the field-study direction only; its modeled profitability result and single-jewelry-retailer setting do not transfer to Carvana.