

Holding is believing when it comes to shopping for refurbished items, study says

July 13 2023, by Scott Edwards



Credit: Unsplash/CC0 Public Domain

Whatever you call them—remanufactured, refurbished, renewed —used products ranging from electric toothbrushes to cars are one of the fastest-

growing segments of the U.S. economy. New research from Penn State suggests that refurbished goods manufacturers and retailers may increase profits and help to meet a growing demand for more sustainable shopping practices by selling refurbished goods in brick-and-mortar stores.

The paper is published in the *Journal of Operations Management*.

A remanufactured product refers to a used product that has been restored with new or refurbished parts by the original manufacturer or a third party to a "like new" condition, according to Meg Meloy, professor of marketing, David H. McKinley Professor of Business Administration and chair of the Department of Marketing at the Smeal College of Business. It's then made available for sale again, often with a warranty that aligns with its new counterpart. Refurbished smartphones and laptops are particularly popular.

Businesses have invested more than \$100 billion in the production of refurbished products in the U.S. today, up from \$37.3 billion in 2009. This growth is fueled by a few factors, most of them tied to sustainability. Compared to the production of new products, making a refurbished one requires, on average, 60% less material and 70% less energy, resulting in 80% less carbon emissions.

The [profit margins](#) for refurbished goods, which often run between 40% and 80%, are also significantly higher than those of most new products.

"So, the refurbished market has the potential to be very lucrative, and also very sustainable," Meloy said.

For all this recent growth, the refurbished [consumer products](#) market is still considered to be in its infancy. Consumer products make up only 10% of the total production expenditure. That's likely to change soon

with some of the world's biggest brands staking a claim.

Or maybe it won't. Meloy co-authored the study that explored [consumer behavior](#) around remanufactured products. Many websites where refurbished products are sold include a brief description to educate prospective buyers about the remanufacturing process. However, educating consumers about this process isn't likely to entice most consumers to buy anything, Meloy said.

"It's possible that when you mention the product is taken apart, cleaned, and all the parts are checked, it highlights the used nature of the product; the fact that it's been handled by others and used by others," which may diminish its appeal, Meloy said.

Their studies involved college students as well as everyday consumers. All participants were asked to assess a refurbished electric toothbrush and bluetooth headset. Products that go into the body, such as toothbrushes and earpieces, are known to elicit high levels of disgust, according to Meloy. Prior to evaluating the products, however, half of the participants were given a set of standards for the remanufacturing process. One-third of the study participants were shown text descriptions of the products; another third were shown a photo and text description of each product, as usually found on a typical retail website. The remaining third were given the products sealed in their packages. In other words, the last group could examine the packaging, but not the products inside themselves.

The participants who were asked to read about the refurbishing process beforehand were no more inclined to buy the toothbrush or headset than the participants who weren't. In fact, the only thing that moved the needle in that regard was exposing the participants to the physical products.

A concept in psychology called "mere exposure" holds that the more familiar you are with a person, object or issue, the more likely you are to like and trust the entity. Meloy said she believes that explains what happened with those who were able to see and hold the toothbrush and headset—or their packages, at least.

As a result, Meloy and her co-authors recommend moving the refurbished market mostly offline, to showrooms and outlet stores, where products can be held, inspected and even tested. This would be a dramatic shift away from the way most refurbished retail is done today.

"Most manufacturers do not want the remanufactured version of their product to be sitting next to their new product because they believe it will cannibalize their new product," Meloy said. "So, they push away from that and say, 'No. We're going to sell them online at deep discounts.' And what we're saying is, you may not even have to discount it that much if you sell your remanufactured consumer products through your brick and mortar outlet stores."

If lost profits don't motivate manufacturers and retailers to alter their approach, Meloy said she believes consumers themselves may demand it as our lifestyles incorporate more reuse in an effort to reduce waste. She also speculated that to increase familiarity with remanufactured products and take advantage of mere exposure, providing middle and high schools with refurbished consumer products, for free or at a discount, like tablets and laptops, may reduce psychological barriers.

"Our children," Meloy said, "will find out for themselves that remanufactured consumer products function like new, and that experience will gradually remove the sense of perceived risk around remanufactured [products](#) and their purchase."

More information: Huseyn Abdulla et al, Show, don't tell: Education

and physical exposure effects in remanufactured product markets,
Journal of Operations Management (2023). [DOI: 10.1002/joom.1248](https://doi.org/10.1002/joom.1248)

Provided by Pennsylvania State University

Citation: Holding is believing when it comes to shopping for refurbished items, study says (2023, July 13) retrieved 3 May 2024 from
<https://phys.org/news/2023-07-believing-refurbished-items.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.