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Selling remanufactured products: does consumer environmental consciousness matter?

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Abstract: Remanufacturing is a key activity to reach a closed loop supply chain and is effective only if consumers understand what a remanufactured product is and why it is important for the environment. From the perspective of signaling theory, this study investigates factors that are important to leverage remanufactured sales, brand equity and price, using an experimental design. It also uses structural equation modeling to analyze the importance of consumers’ environmental consciousness in their intentions to purchase remanufactured products. The study concludes that brand equity is an important factor to leverage remanufactured sales, but it is intrinsically associated with price setting. Consumer environmental consciousness has no impact on remanufactured sales, highlighting the importance of the economic side to consumer purchasing decisions.

Keywords: remanufactured products; purchase intention; closed loop supply chain; experiment; structural equation modeling; signaling theory

1. INTRODUCTION

Large IT manufacturers face a serious problem. The stocks of products that return from sales have been consistently growing recently due to looser return policies and the absorption of overstock from retailers. It is a worldwide tendency, and only in 2015, returns reached 8% of the total sales of the retail industry in the U.S. (NRF, 2016). In a hypothetical case, one operations manager has internally discussed solutions to turn this type of inventory into value for the companies (rather than simply sending these products to be recycled) and presented the idea of remanufacturing these products.

However, the operations manager idea has not been supported by other areas of the company. There are doubts about the appropriate sales price and the extent to which consumers will buy remanufactured products. Company is also afraid to invest money in a remanufacturing operation that may not return the investment. The marketing area has no reliable information about the behavior of consumers regarding remanufactured laptops. The area of sustainability is the only one to support this idea since it accounts for the positive impact of the reuse of these products for the environment and the company's own image, but they are ignorant about the relationship between consumers’ environmental awareness and their decision to purchase remanufactured laptops.

Remanufacturing is an industrial process that converts returned or used products into an appropriate condition to be sold again like a new product. Remanufacturing extends the product life cycle; it benefits the environment by reducing the consumption of new resources and diminishing the generation of waste (Guide and Van Wassenhove, 2009).
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