

## Chapter 17

# Consumer Perception and Purchase Intention Towards Refurbished Smart Phones: A Circular Consumption Perspective

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### **ABSTRACT**

*Circular economy is a global economic model that focuses to transform linear consumption in a circular system by minimizing waste and preserving the cost of materials. Refurbishment can be useful to recover value from old products and to minimize waste. Based on the insights from literature, a deductive research approach has been used to examine consumer understanding about refurbished smart phone and their purchase intention. A survey based on barriers, perceived risk, and benefits associated with refurbished phones was conducted. Multiple analyses of variance were employed to identify the effect of demographic parameters on refurbishing dimensions. Multiple regression was used to identify prominent predictors in determining purchase intention towards refurbished products. The study demonstrates a fine level of awareness among people about refurbished phone, and they link it to environmental benefits. A major concern among consumers was performance issue and financial risk involved in purchasing refurbished smart phones. Financial benefits are key aspects behind promoting refurbished.*

DOI: 10.4018/978-1-7998-4787-8.ch017

## **INTRODUCTION**

The economy at present intends a circular system in which the materials and resources are sustained till the end. The circular economy aims at ways to minimize cost by implementing resource planning strategies (D'Amato et al., 2018, and Ghisellini et al. 2016). The increased circularity encourages production of goods in additional cycles. The production of second hand goods at lower prices helps customers' to save money and simultaneously also avoids wastage of materials. The circular economy seeks to transform linear consumption in a circular system by minimizing waste and preserving the cost of materials which leads to well-being of society (Kalioujny et al., 2016).

Refurbishment in smart phone market has seen an increase of 9% in the Indian Market in year 2019. The transition of the restructuring segment from the unorganized sector to the organized in countries such as India is also underway, which is opening up opportunities for refurbished products (*livemint.com*, 2020). According to an industry-leading e-tailer, the renewed sector multiplies on an annual basis. The demand for refurbished products generally comes from level II and III cities in India. The young population or middle class largely look for good quality electronics and that too reasonably priced (Chanda, 2019). Industry observers say that the trend of refurbishment is driven by the declining product life cycles of smartphones as it has reduced from four years to a year now and consequently a greater number of phones entering the refurbishment cycle. Due to their high prices, cars are currently estimated to hold a 60% share in the organized part of this market, while electronics, including smartphones, have 25% and other products generally of household category claim 15% (Devika, 2020).

In recent trends, most big companies are planning to move from linear business production to circular business model. This shifting phase is not easy as it requires circumstantial changes like changes in legislation, new financing techniques and changes in behaviour of the consumers in accumulation to the changes inside the companies. It is anticipated that refurbished product market will reach \$12-15 in the year 2020. Refurbishment is a process which is concerned with undoing a product, reinstating and testing the small parts including the entire product to its originality. After refurbishing a product it is expected to perform same as it was in original performance (Parker, Riley, Robinson, Symington, 2015). Unlike disposal, repairs do not require complete dismantling of goods. In the process of remanufacturing, a used product is turned into a fresh product. It is the process of bring back value to the used product and giving it the same shape as it was first in its new condition with original specifications. It leads to reduction in energy, cost of material and production (Gray&Charter, 2008). Slowly and steadily, organized retailers are taking place in market instead of unorganized local vendors. This is because of the prior's ability to completely transform the product and give it a "new look" and feel. Most of the firms have their firm fingers on the organized sector and also their concentration on standardizing and expanding the pre-owned electronic device market. Many organized players like GreenDust, Reboot, Overcart, Togofogo (individual entrants) and Ebay, Mazon (E Commerce Portals) are trying to grab this opportunity. The aim of these market players is to create an active marketplace which gives consumers choice to choose products with warranty and services attached. In India, there is a healthy competition experienced by all big market players and the existing companies have succeeded to develop interest amongst the buyers to invest into refurbished products as these products are equally comparable to the new products (Soumitra Gupta, CEO, Togofogo). Also at the same time there are market players creating a marketplace for merchants to sell branded refurbished product in addition to overstock aging inventory. Approximately 10% to 50% of the mobile phones sold in country are to be of surplus value and only 4-5% out of it are refurbished (Saurabh Rai, CEO, Surpluss.in).

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