Brand Name Effect on Consumers’ Willingness-To-Pay For New Versus Recycled Or Remanufactured Products

Jonathan Linton, Telfer School of Management, University of Ottawa, Canada
Leila Hamzaoui, Telfer School of Management, University of Ottawa, Canada

This research investigates the impact of product category and brand name on consumers’ Willingness-To-Pay for recycled/remanufactured products. Findings show that WTP for recycled versus branded recycled, branded new product varies with the product category. Companies should assess the use of brand depending on products as part of their remanufacturing/recycling strategy.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/1014221/volumes/v10e/E-10

[copyright notice]:
This work is copyrighted by The Association for Consumer Research. For permission to copy or use this work in whole or in part, please contact the Copyright Clearance Center at http://www.copyright.com/.
Brand Name Effect on Consumers’ Willingness-to-pay for New Versus Recycled or Remanufactured Products

Leila Hamzaoui, Telfer School of Management, University of Ottawa, Canada*
Jonathan Linton, Telfer School of Management, University of Ottawa, Canada

EXTENDED ABSTRACT

We consider the relation between brand and Willingness-To-Pay for products that are more sustainable: products made of recycled content and/or utilized parts (i.e. remanufactured). While environmental marketing has been a concern for decades, there has been limited consideration of recycled/remanufactured products in the marketing literature. This paper helps to close this gap. Reuse and consumption of products containing previously used parts or material greatly reduces environmental impact. As markets for greener products continue to expand (Prakash, 2000), the challenge for many firms is to balance consumers’ environmental concerns, profitability, and the competitive dynamics of their target markets (D’Souza et al., 2006). In this context, the manufacturing and operational issues associated with the incorporation of reused/recycled materials are increasingly addressed by academe and practice (Arndt, 2005; Finistera do Paco, 2009). However, few empirical research studies specifically address the topic of consumers’ Willingness-To-Pay (WTP) for recycled/remanufactured products (Guidi and Li, 2010). Consumers do express strong concerns for the environment, for recycling and recycled products, but their attitudes are often not reflected in consumption practices and have not yet been explicitly studied.

Consumers often perceive recycled/remanufactured products to be inferior to new conventional products (Smith and Keoleian, 2004). Recent research highlights that the perceived functional risk associated with any type of recycled/remanufactured product, among other variables, must be considered since it appears to influence consumers’ WTP for the product category (Hamzaoui-Essoussi and Linton, 2010). Furthermore, this raises the question of whether a high level of perceived risk could be compensated by using well-known brand names in order to positively influence consumers’ attitudes and WTP for recycled/remanufactured products. The brand literature suggests that brands reduce perceived risk by acting as a proxy for product quality (Aaker, 1991; Erdem and Swait, 1998), but this role has not yet been considered for recycled/remanufactured products. Therefore, the purpose of this study is to examine consumers’ Willingness-To-Pay premium prices for branded recycled/remanufactured products vs. conventional products for different product categories. The objectives are to determine: (1) the impact of the product category and its related perceived risk, and (2) the impact of the brand name, on consumers’ Willingness-To-Pay premium prices for recycled/remanufactured products.

To address these objectives, a survey on Willingness-To-Pay for greener products (remanufactured and recycled) was composed of questions from the following topics: familiarity with recycling, environmental consciousness, involvement level with recycling, perceived risk related to the product category, perceived product quality, brand knowledge, perceived brand quality, Willingness-To-Pay for recycled product, branded recycled product, branded conventional product, and last demographic information. Six product categories were chosen, based on their different degree of perceived risk: paper, single use camera, toner cartridge, automobile tire, cellphone, and printer. Respondents were university students enrolled at a large Canadian university, and 322 surveys were used for statistical analysis.

Results highlight that consumers’ Willingness-To-Pay premium prices for recycled products is product specific, and that recycled/remanufactured products versus new products do not have the same value. It is evident that some skepticism exists on the part of the consumer about recycled/remanufactured products. This attitude seems to be based on a general perception that not all product categories can be of good quality whenever considering a recycled/remanufactured version, therefore influencing consumers’ WTP. Furthermore, respondents show a moderate level of familiarity with recycled products, which seems to be insufficient to enable them to face up with uncertain levels of quality and perceived risk associated with recycled/remanufactured products.

Paper stands as an exception. Consumers are willing to pay for recycled paper more than for branded recycled paper or for branded new paper. The environmental bonus associated with recycled paper wipes out the brand value. Although respondents are not very familiar with the paper brand name itself, they are familiar with the product category, seen as commonplace today. This suggests that when consumers are faced with a purchase involving a low level of perceived risk, familiarity seems to suffice for purchase. But for the other product categories of this study associated to higher levels of perceived risk (and higher prices), familiarity could be insufficient as consumers are facing more “unknowable” recycled/remanufactured products.

The findings also show that brand does not always matter, but other times is very important. This raises question about what factors (exactly) determine the importance of brand. This may differ based on the level of perceived risk and perceived quality of the recycled product. Although a strong brand is a safe place, acting as a proxy variable for product quality and enabling consumers to understand the offer and face up with the uncertainty and risk, this does not seem to impact consumers’ WTP for cameras, printers and tires. Consumer’s assessment of quality and risk is thus counterbalanced by the brand name depending on the product. But variability in how much the brand can counterbalance the perceived risk could also be linked to the brand familiarity and/or the brand equity, which can partially explain the results of this study (low familiarity with printers and cameras’ brand names).

In terms of managerial implications, marketers need to emphasize and ensure that the quality of the recycled/remanufactured products is perceived as equal to the conventional product one, and decreasingly associated to high levels of perceived risk and low performance. Companies should assess the value of their brand in relation to recycled/remanufactured versions of their new product. The brand may add value as a warranty overcoming the risk associated to a product that is not made entirely from new/virgin materials.

By considering the impact of brand name on WTP for recycled/remanufactured products, insight is offered on the competitive advantage that firms have if they introduce a “greener” recycled/remanufactured version of their products. Brand names tend to raise the value of recycled/remanufactured product. However, there is tremendous variation in the level of WTP that appears to be both a function of brand name and product category. Companies need to understand the value of their brand name for the product categories they offer. For theoreticians, the outstanding question is what type of risks are brand names able and unable to alleviate.
REFERENCES


