

WARRANTY AND CONSUMER QUALITY PERCEPTION STUDIES IN THE REMANUFACTURING INDUSTRY

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ABSTRACT

We formulate a two-period model to study two warranty offering strategies for a manufacturer who produces and sells a new product in the first period and both new and remanufactured products in the second period. The product quality is unobservable to consumers before purchase. Consumers make purchase decisions based on their perception of product quality, which is based on quality signaling information such as product warranty and the manufacturer's quality reputation. Under this setting, the manufacturer chooses to offer one of the two warranty strategies.

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