

The effect of an expired warranty on the resale value of secondhand products

Nguyen Thai

University of Wollongong

Ulku Yuksel

The University of Sydney Business School

Vince Mitchell

The University of Sydney Business School

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Abstract

Manufacturer warranties for some products sold by secondhand retailers usually expire or never are present when sold as new. These retailers also often fail to mention expired warranty information and stay silent about the warranty status or simply advertise that it has “no warranty,” making its meaning open to consumer interpretation. Since the term can be interpreted as a product with an expired warranty, or worse, one that never had a manufacturer warranty, the question is whether the “no warranty” framing impacts its resale value. Results from controlled eBay field experiments and lab experiments show that if left blank or simply labelled as having “no warranty,” the resale value of a secondhand product is negatively affected. This is because consumers associate secondhand products with lower resale values if they interpret the announcement of “no warranty” or the absence of any information about the warranty status as a secondhand product that never had a warranty, as opposed to an interpretation of having an expired warranty. Thus, consumer interpretation mediates the effect of warranty conditions on resale value.

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