

POLICY BRIEFING



MEASURES PER REPAIR

Development of measures to promote durable and repairable products

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Why repair?

The longer use of products and the associated increase in repairs can make a significant contribution to overcoming current ecological and economic challenges. The present study develops the basic content for the implementation of promotional measures with a focus on the repair and refurbishment of electric and electronic devices.

The repair market: relevant stakeholders

Several types of stakeholders are important for the definition of the repair and refurbishment market, including in particular the manufacturers of electrical appliances, traders, repair and refurbishment companies, repair networks and the consumers themselves. The market model of the manufacturers is strongly focused on high sales volumes, but there are also tendencies towards direct marketing and customer loyalty through service and repair offers. The trade is under increased pressure due to the increasing direct marketing by manufacturers and online trade. Here, too, service offerings can be a strategy for increased customer loyalty. There are two business models in the field of repair shops. On the one hand the repair within the guarantee or warranty period, which is commissioned by the manufacturers, on the other hand the independent repair after the guarantee has expired, which is commissioned and paid for by the consumer. Non-commercial repair and self-repair account for 27%-59% of repair cases and must not be neglected in strategies for a sustainable circular economy. However, the majority of defective devices are not repaired at all but replaced with new devices.

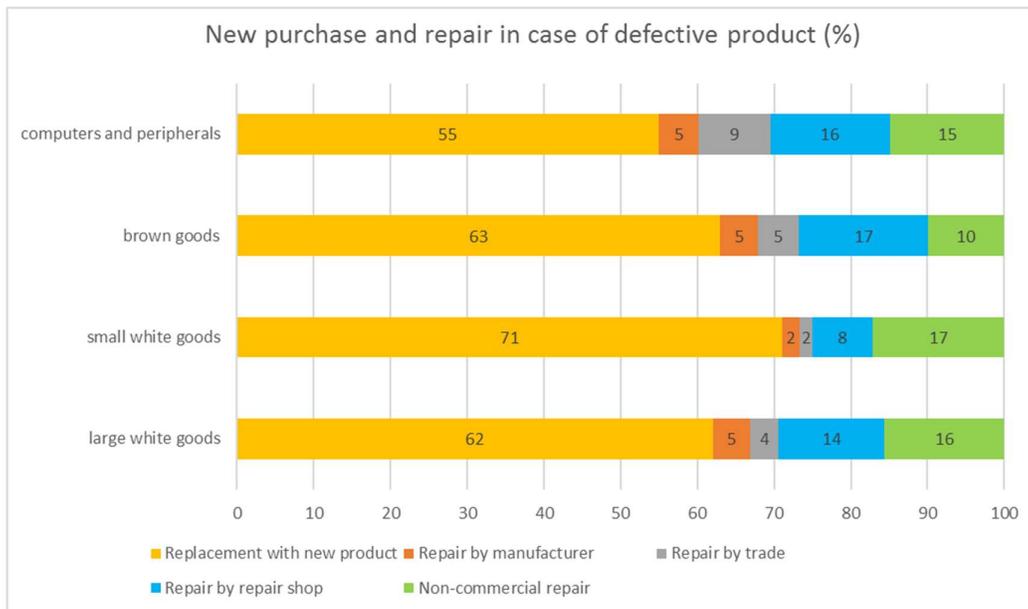


Figure 1: New purchase and repair of defective product. Source: Presentation by DIE UMWELTBERATUNG based on data from Deloitte 2018

Factors influencing the longevity of electronic devices and their repair

The study identifies influencing factors that are decisive for the longevity of products as well as the supply and demand for repairs and refurbishment. The product quality and reparability of electronic devices are the basis for a functioning repair market. Further requirements are the availability of spare parts, repair information, repair tools and necessary software or its updates. The difference between the price of new products and repairs is also significant. If repairs are only slightly cheaper than new devices, the decision to buy a new one is made. But the duration of repairs, their quality and trust in the repair also play an important role. Consumers influence the demand for repairs primarily on the basis of their knowledge and values about repairs, but also from convenience considerations. Values are significantly shaped by

marketing by manufacturers and retailers. The proportion of self-repairs also depends on the values, knowledge and skills of the consumer.

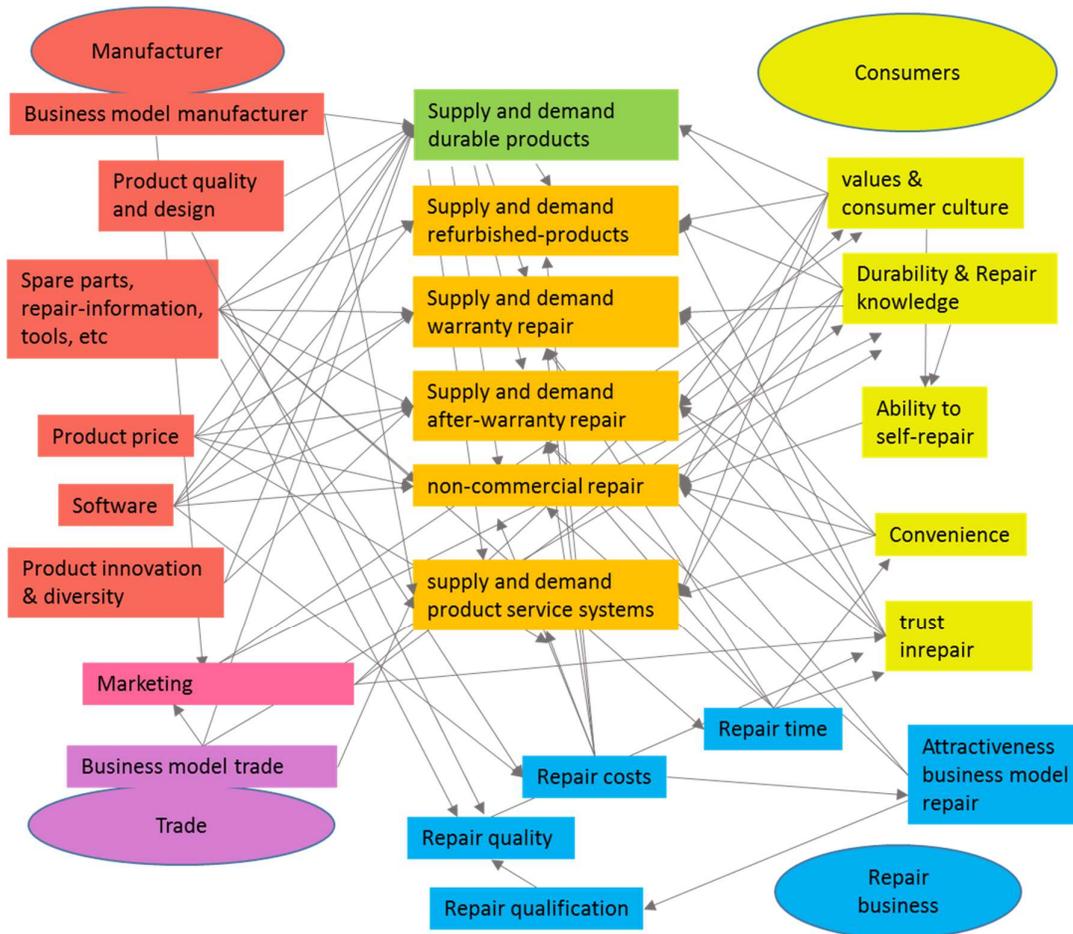


Figure 2: Stakeholders and influencing factors on the repair market. Source: Illustration by DIE UMWELTBERATUNG

The promotion of repair requires an intelligent combination of measures in order to have a lasting effect.

Longevity and repair of electronic devices is influenced by a complex system of factors. Individual measures cannot have a lasting effect; a balanced system of measures is required that includes regulatory, fiscal, awareness-raising and accompanying elements.

Regulatory measures such as the Ecodesign Directive, regulations against early obsolescence or the standardization of spare parts are measures that are primarily intended to influence the quality and reparability of the products, the availability of spare parts, repair information, tools, and so on. They are therefore the prerequisite for a functioning repair market. Measures such as the mandatory indication of the guaranteed service life or an identification of longevity and reparability ("Repair Index") also provide consumers with knowledge about longevity and reparability. The measures to extend the warranty and the mandatory statement of the guaranteed longevity also have a direct effect on the demand for warranty repairs. Strengthening market surveillance and consumer protection is a necessary measure in order to monitor compliance with the implementation of regulatory measures.

Fiscal policy measures are used to reduce repair costs with the aim of increasing the demand for repairs. This can also increase the attractiveness of the repair business model and thus increase the range of

repairs. A very strong measure in this area is the repair subsidy (“repair bonus”). In the long term, comprehensive ecological tax reform is a very important measure. By relieving the work factor compared to energy and raw materials, not only would repairs become cheaper and new products more expensive, such a measure could also modify the business models of manufacturers and dealers more in the direction of service and repair.

The third important group of measures concerns the information and awareness-raising of consumers. Values and consumer culture, knowledge about longevity and repairs, trust in repairs and the ability to repair oneself can be positively influenced by these measures.

In order to improve the range of repairs, it is also necessary to start centrally in the area of training and to impart repair skills to a greater extent. In addition, repair networks can help to convey knowledge about repair options to consumers and to increase trust. Networks can also have a positive impact on repair quality.

Public procurement is another very important way to directly increase demand for durable products and their repair, but also refurbishment. Research and the promotion of new business models are further accompanying measures that can have a positive impact on the repair market.

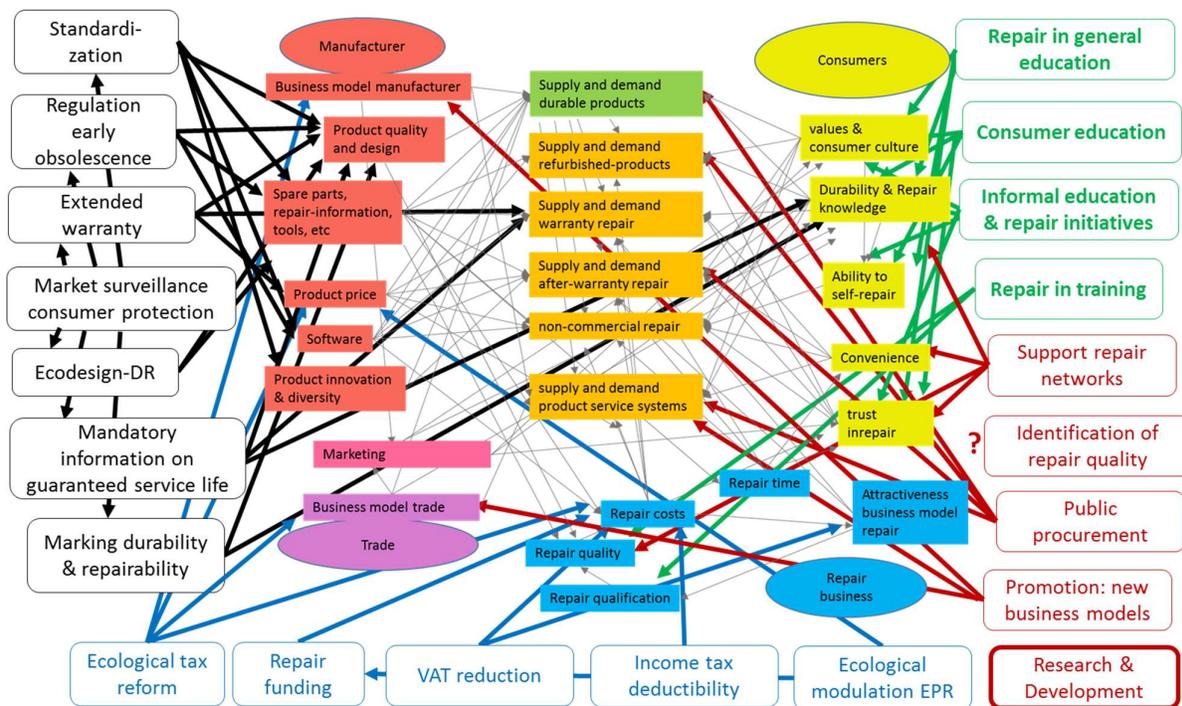


Figure 3: Measures per repair and their expected effects. Source: Illustration by DIE UMWELTBERTUNG

Expected effects of measures per repair

Basically, several repair markets can be distinguished, which follow different logics. Table 1 shows the expected effectiveness of the measures described above on these “markets” in a differentiated manner.

The possible effectiveness of measures is assessed very differently by repair experts. In addition, the effect depends very much on the design and the control of the implementation. The impact assessment shown in Table 1 is the author's personal assessment based on the research and statements of the interviewees. In the first five columns, the potential effects (in the sense of a "best case scenario") of measures on different repair sectors are presented. The last column contains an assessment of the risk that measures cannot develop their positive potential due to deficiencies in the design and implementation.

	Warranty-repair	After-warranty repair	Refurbishment market	Non-commercial repair	Durable products	Implementation design risks
Regulatory measures						
Ecodesign-Directive	+	++	+	+	+	++
Marking durability & repairability		+	+	+	++	++
Mandatory information on guaranteed service life	+	++	+	+	++	++
Extended warranty	++				++	++
Regulations for early obsolescence as an unfair business practice		+	+	+	++	+
Increased standardization of electronic devices	+	++	++	++	++	++
Strengthening of market surveillance and consumer protection	+	+	+		+	++
Fiscal policy measures						
Repair funding		++	++*		+	++
VAT reduction		+	+			
Income tax deductibility		+	+			+
Ecological modulation EPR		+++**	+++**	+++	+	++
Ecological tax reform	+	++	++	+	++	++
information, education and training						
Consumer education and information campaigns	+	++	++	++	++	+
Durability and repair in general education	+	++	++	++	++	+
Durability and repair in education	+	++	++	+	++	+
Informal education & supporting repair initiatives		++	++	++	+	+
Accompanying measures						
Support of repair networks		++		++	+	+
Public procurement as an impetus		++	++		++	++
Promotion of new business models	+	++	++		++	++
Research & Development	+	++	++		++	++

* If the fiscal policy measures also apply to refurbishment

** Provided that the income from the modulation of the EPR system flows back into the funding for repair and refurbishment.

Table 1: Expected effects of measures per repair on different areas. Source: Illustration by DIE UMWELTBERATUNG

Conclusions

In order to meet these diverse challenges, a combination of measures is required that use different levers. Individual measures do not have a long-term effect. In order for repairs to prevail, a whole bundle of measures is needed that includes financial incentives, legal requirements, awareness-raising and other accompanying measures. It seems advisable to accompany the implementation of measures with dialogue processes with stakeholders in order to evaluate the impact and to control implementation.