

Durability vs Profitability?

Ongoing battle of a Circular Economy



Swastik Ghadge | November 2024

Many topics or themes crossed my mind while pondering different ideas for this letter. Let me tell you it's very difficult because we are programmed to have biases towards everything we do and Thank God! I am not pro-AI, so I had a dilemma selecting one topic like most. Finally, I had my first level eureka moment after a simple conversation with myself (Yes, I do that), "Bhai you should write on consumer durables because it is what you understand" Sorted right? The answer is NO!

Consumer durables is a vast industry with multiple aspects to write about like the products, business model, demand and supply, etc and there goes my eureka moment (I still need a Beethoven-level understanding of craft). Not stretching it further but sometimes you do find a needle in the haystack which is what happened with me in the form of 'Planned Obsolescence'.

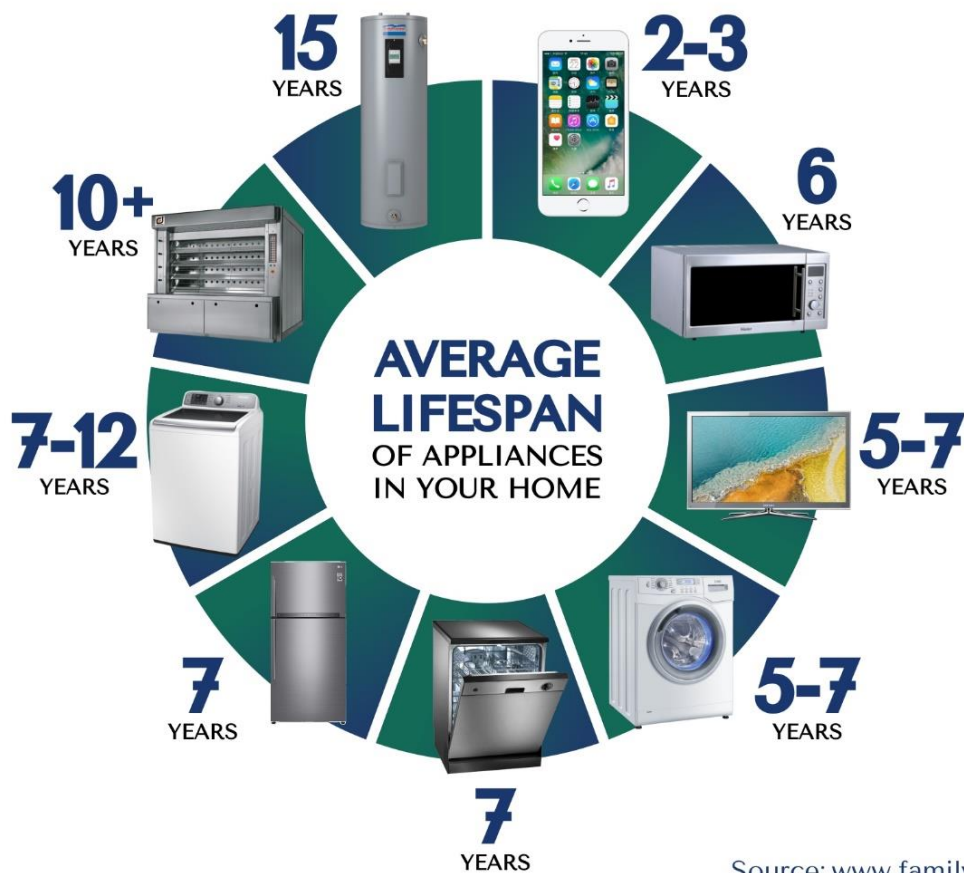
Ek sight

It is best described as a strategy of deliberately ensuring that the current version of a given product will become out-of-date or useless within a known period. It is nothing but designing a product in a manner that becomes obsolete within a shorter time than expected. Think of your childhood and try to recollect this, in our homes, there were electrical appliances since donkey years like a part of the family. I remember growing up we had a refrigerator which was bought way before then even when I was born (2000), cut to now, after that refrigerator (we used it for 17 years!) we have replaced it 2 times in the last 15 years. We all have experienced this but did not put enough thought into it.

Planned obsolescence is in action here, however, for some, it is a conspiracy theory as it has a long history. It might surprise you that this idea was not used on large appliances but the infamous lightbulbs. In 1924, an international group of lightbulb manufacturers named 'The Phoebus Cartel' decided to limit the life span of bulbs to 1000 hours rather than the earlier standard of 2500- 3000 hours. In 1932, Bernard London coined the idea in his paper 'Ending the Depression through Planned obsolescence', which has been prevalent since then.

I know when you come to think of it now, then it might start making sense that appliances are not durable enough as we were used to having earlier. The lifespan of

The average lifespan of appliances



Source: www.familyhandyman.com

The WH Questions

We all want to know the **Why?** Behind things which had me questioning, "Why Planned Obsolescence?" The answer is that it was a proactive move guaranteeing that consumers would seek replacements in the future, thus bolstering demand. It is a form of induced or supply-induced replacement demand that is in play.

To understand the "**How** it is done?" and "**Where** do you find it?" of this phenomenon, we need to understand what are its components

1) Design:


Everything is in the design, as it determines the materials a manufacturer uses for the product and how they are put together. The best way to understand this is through smartphones, the cost to repair a screen or to replace a battery can be a substantial amount because of which consumers find it better to replace their device.

Data Insights – Official repair costs

iPhone 16 ▾

Battery Replacement	Display Replacement	Rear System Replacement	Service Charges
9950	37604	46443	1850

Source: www.iplanet.one



Galaxy S24
(SM-S921B)

SPARE PART NAME	PRICE (RS)
Screen Component Repair#	
• Main Screen	8,600
• Frame	2,690
Black Glass/Cover	2,440
Mother board	
• 256 GB	23,130
• 512 GB	25,630
Battery	2,280
S Pen	N/A
Camera	

Source: www.samsung.com

OnePlus 12 ▾

Spare Part Price

Parts Description	Out-of-warranty Price (Inclusive of GST)
Screen	₹15,999
Mainboard 16+512 GB	₹51,349
Mainboard 12+256 GB	₹49,349
Camera -Front	₹999
Camera -Rear Wide Angle	₹1,999
Camera -Rear Telephoto	₹3,500
Back Cover	₹5,399
Battery	₹1,800
Receiver	₹300
Speaker	₹400
Vibration Motor	₹350

Source: www.oneplus.in

2) Functional:

It involves limiting a product's functionality over time. It could be seen in technology-heavy products with multiple software updates and over time can slow down a device forcing users to upgrade from the existing model.

Data Insights :

Apple reached a settlement of \$500 million on their class action lawsuit named "Batterygate" filed against the company by iPhone users.

Apple to pay \$113 million to settle state investigation into iPhone 'batterygate'

Apple starts paying iPhone users as part of \$500 million 'Batterygate' settlement

IANIS - Last Updated: Jan 07, 2024, 11:15:00 AM IST

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Synopsis

Apple in 2020 agreed to pay up to \$500 million to settle a class-action lawsuit in the US that accused the iPhone maker of "secretly throttling" some iPhone models.

3)Systematic:

Companies sometimes make products hard to repair or upgrade by using unique parts or systems only they can access. This forces customers to depend on the manufacturer for repairs or encourages them to buy new products. If I were to explain it in one line, it would be "Rapid Technological changes", a widely accepted modern system.

Data Insights :

1) Companies like Apple and Microsoft design products with **non-removable batteries** and proprietary screws. For example, **iPads and MacBooks** often use glue and custom screws, making repairs costly and impractical without specialized tools.

2) A study found that over **70% of consumers** replace appliances like washing machines or refrigerators rather than repair them because of the high cost of proprietary parts or limited availability

4)Psychological:

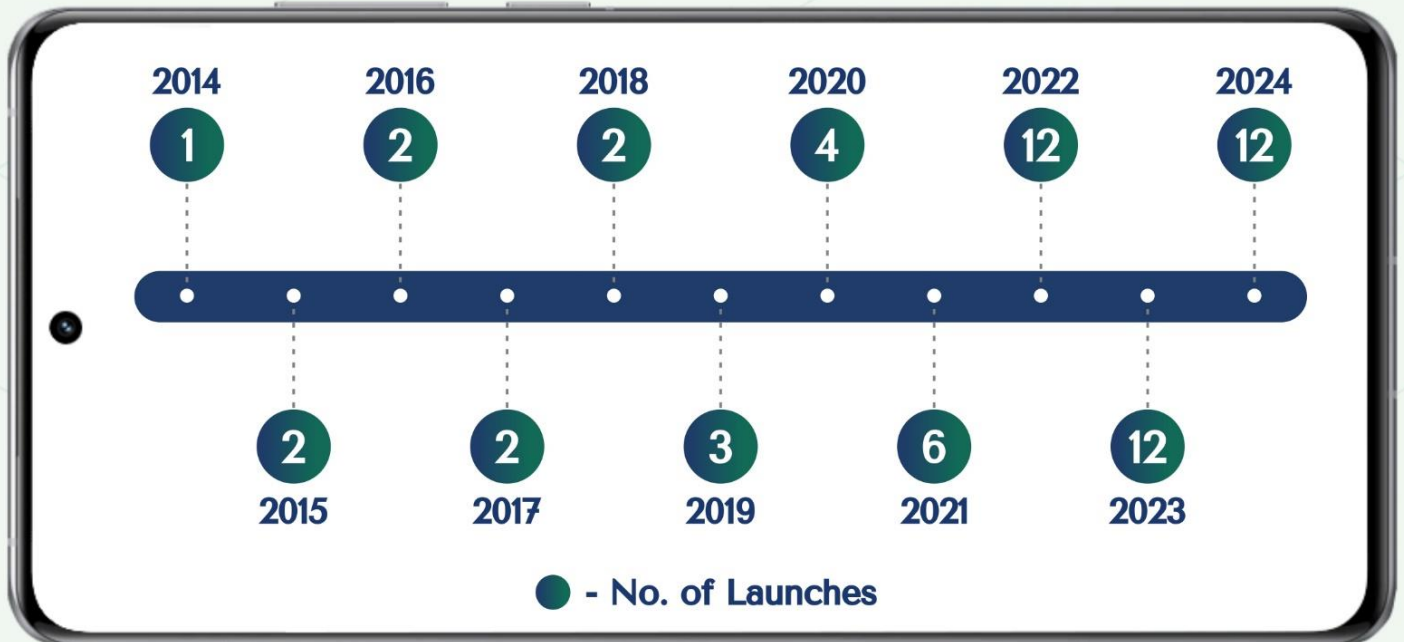
It involves manipulating or convincing consumers that they need the latest version of a product, even if the older one is functional. It is easy to play with the consumer's psyche through marketing and continuous launches of new models. The propensity at which brands launch new models has increased over the years.

Data Insights :

One plus launching products over the years



ONEPLUS LAUNCHES



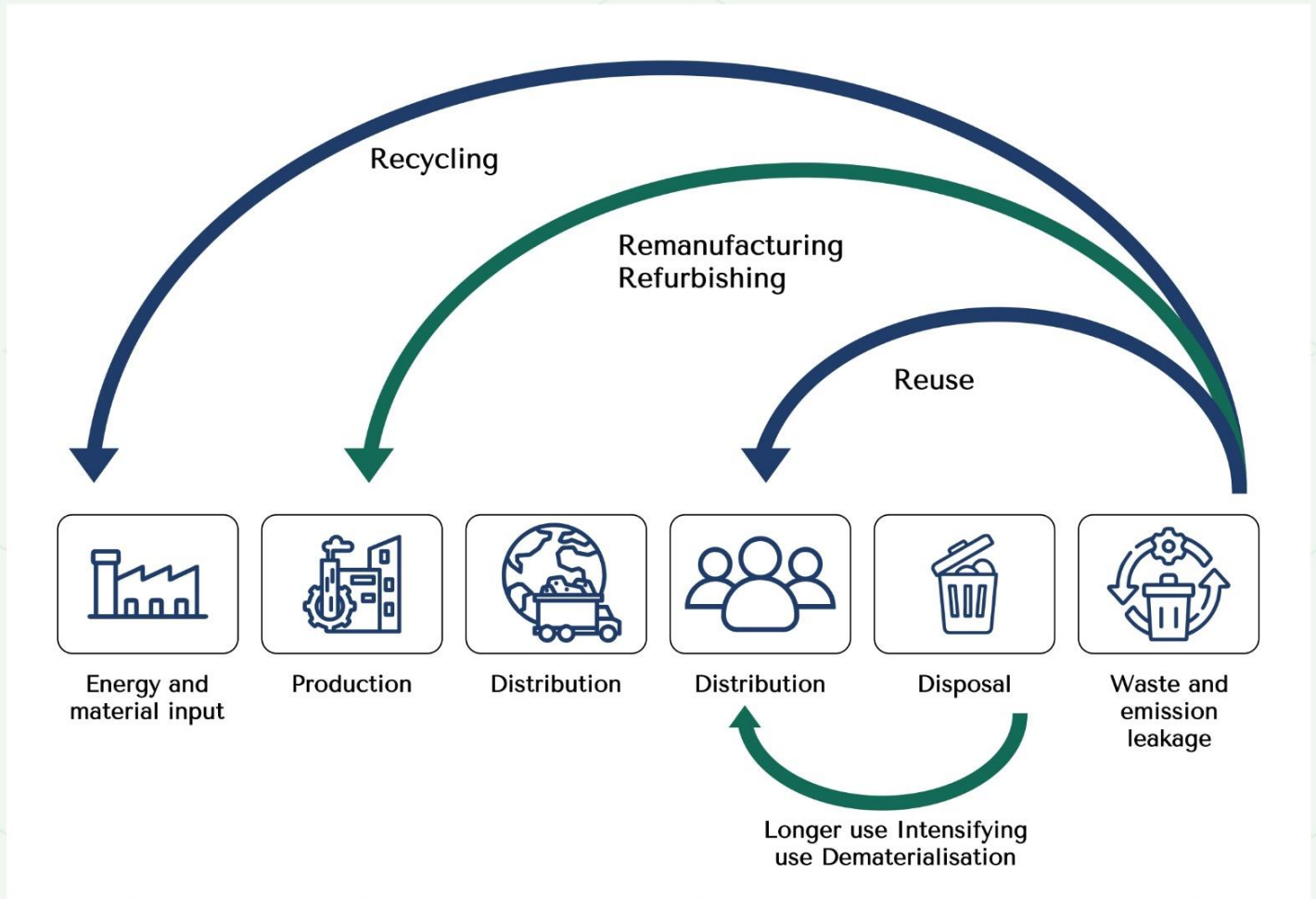
These are some of the ways to achieve planned obsolescence and ascertain the continuous cycle of getting business.

Durability Vs Profitability?

After stumbling upon the concept of Planned obsolescence I began to think, Is durability important or profitability? What are the results after introducing Planned Obsolescence? Hence the title. Now I wonder whether the word Durable holds value or only profitability is important, maybe it is a necessary evil in disguise that Consumer companies need to practice for healthy sales and most importantly survival. I want to play the devil's advocate over here and say something good has come out of it and humans over the years have found ways to overcome and tackle this rigged system.

After devouring multiple literatures I would like to believe that it gave rise to an unconventional form of economy known as the **Circular Economy**.

Concept of a Circular Economy



A circular economy promotes the idea of resource production and consumption in any economy as a means of continuing production in a sustainable way. In a linear system once, the product becomes obsolete it is discarded and wasted. A circular economy negates the idea of it and ensures minimal wastage, extended life of products and promotes efficient use of resources. This form of economic system addresses some important issues of E-waste, consumers's Right to Repair, protection of the environment etc. It operates on the principles of 3Rs – Reduce, Reuse, and Recycle. Now if I began to write more about it then I won't be able to end this letter because Circular Economy as a concept deserves a standalone letter to give justice to it.

The end is the beginning?

In the scuffle of Durability vs Profitability, the instinct of survival will always win. Planned obsolescence as a concept is intriguing and tickles the curious child in me to learn more. Going ahead, whether we will see even shorter lifespans of appliances is anybody's guess. Questions like Will we see something like Fast Fashion replicating in the Consumer Durables space? Remains a mystery of the future.

future. This topic has left me with many questions on replacement demand, consumer choices and preferences (induced or independent?) and most significantly it should be the end in the beginning in the form of a Circular Economy. We are just getting started and I am certain of trying to find something in this learning experience.

Until then stay curious, and maintain your electrical appliances well!

Some Interesting Reads & Videos

- 🔗 Lifespan of Consumer Electronics is getting shorter
- 🔗 Planned Obsolescence- What it is and how to over come it?
- 🔗 Planned Obsolescence and Circular Economy

**Click on the Above Text Access the Links*

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