Referee report on "Pricing damaged goods "

In the following, I will briefly summarize the main points made by the author and my comments on them.

1. The profitability of introducing a crimped version depends only on the high and low type consumers' relative valuations on the high-quality and low-quality goods.

I think this point, even though made more generally and clearly using a continuum of type setup in the paper, has already been found and discussed in the literature. A similar analysis and intuition has been provided by, for example, Hahn (RJE, 2006), Jing (EconLetters, forthcoming) and Shapiro and Varian (Information Rules).

2. The characterization of the profitability condition based on marginal revenues.

This is new (at least to my knowledge) and probably the major contribution of the paper. It provides a very nice intuition behind the damaged-goods phenomenon.

3. Comparing crimping technologies.

This result is also not entirely new. Shapiro and Varian in their book informally introduce the idea. But, it should be recognized that the author shows the result through a formal analysis.

Overall, I think the paper is publishable at this form with minor revisions. In particular adding a few recent contributions on the topic seems necessary, for instance, Jing's analysis on the effect of network externality on the monopoly product differentiation incentive and Hahn's study on crimping incentives in a durable-good monopoly, etc.