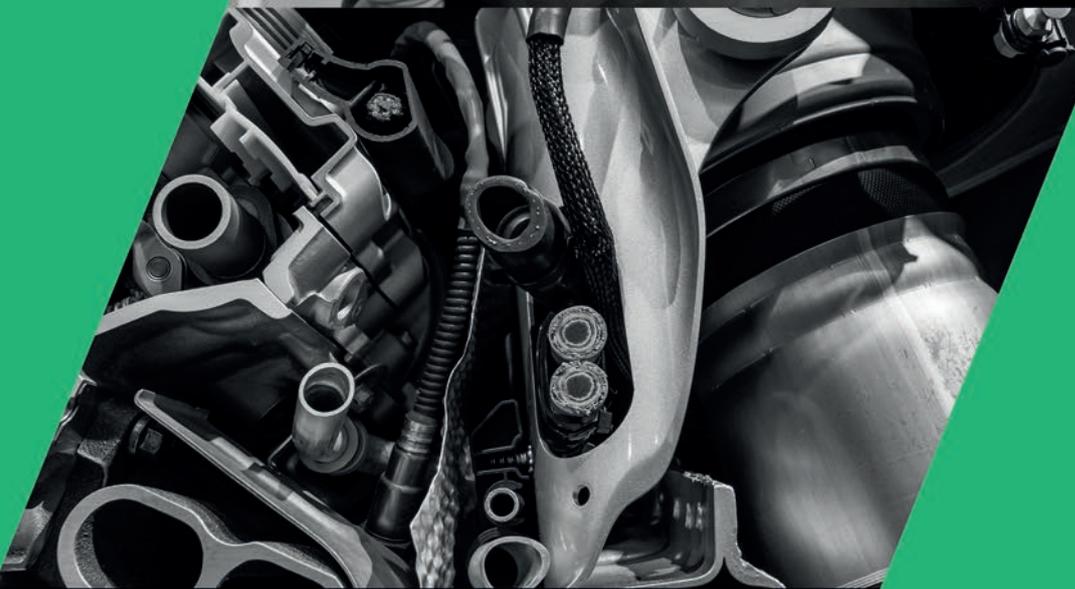


# REMANUFACTURING

What do aircraft parts, engines, X-ray systems, desks and golf balls have in common?



## And what does remanufacturing actually mean?

What do aircraft parts, engines, X-ray systems, desks and golf balls have in common? Even at the end of their lifecycle, they all still have a great deal of substance, something which makes their further **use ecologically and economically interesting**. This is the so-called “core” of the product. Taking this core as a basis, **remanufacturing** (or reprocessing) can be applied to **turn this into a new product**, the quality of which is in no way inferior to that of a newly manufactured product. In contrast to recycling, which focuses on the extraction of raw materials, remanufacturing aims to **Upcycle a product into a new product!**

## How relevant is remanufacturing?

Remanufacturing is already a frequently used tool in many after-sales organisations today to expand the existing product portfolio and open up new market segments.

For the future, the **signs are pointing to growth** in Europe. Market researchers forecast a **market volume of 70-100 billion €** for the year 2030 with **450 - 600 thousand employees in the EU**. This is comparable to the size of the US market. The market volume in the USA was already at 43 billion US dollars in 2012. In China on the other hand, the market for remanufactured products is still at the beginning of its development after initial pilot projects. Regulatory hurdles represent considerable obstacles to be overcome. However, their gradual dissolution should result in one of the largest growth markets.

## Why would Remanufacturing also make sense for me?

The two main areas in which remanufacturing makes sense are of **economic and ecological** nature.

Probably the most obvious reason for remanufacturing is the opportunity for companies to offer their customers **repair services at fair and current value**. A considerable reduction in **manufacturing costs** (up to 60%) creates scope for lower spare parts prices. Customers who are no longer willing to pay exorbitant prices for spare parts are therefore made an attractive offer. The ever-increasing **competitive pressure** caused by customer migration to **third-party providers** (Independent After Market) can thus be counteracted by increasing market shares.

Repairs at fair and current value are not only hampered by high spare parts prices, but also by possible **discontinuation of delivery obligations** by the company's own suppliers, which can jeopardise the supply of spare parts. Remanufacturing can still serve to secure the company's own delivery obligation towards the end customer.

In addition to the purely economic advantages, **ecological reasons** are also becoming increasingly important. In times of Diesel-Gate, an increasing number of regulated emission protection laws, remanufacturing quickly and easily offers the possibility to **sustainably reduce the emission of pollutants by using less resources**.

## How can I sensibly establish Remanufacturing in my company?

To strategically anchor remanufacturing in the company, it makes sense to take a holistic view of the existing product and spare parts portfolio.



Depending on the age spectrum of the portfolio, the sensible use of remanufacturing should be examined against the background of economic and ecological drivers. In this case, one example would be **repairs at fair and current value**:

Customers are simply no longer willing to pay the prevailing high costs for spare parts and service from the original manufacturer in order to maintain their increasingly older products at their fair and current value. This frequently results in customer migration to third-party providers in the so-called Independent After Market.

In the period following the manufacturer's warranty (1-2 years after purchase of the product) and before the period in which only used parts are economical, customers can be won back by means of remanufacturing. This is facilitated by lower manufacturing costs, a reduced end customer price and, simultaneously, the long-term availability of spare parts.

## What are the greatest challenges in its implementation?

Careful **strategic preparation** ensures the long-term success of a remanufacturing initiative. The primary objective should be discussed first. Examples:

- Consideration of a growing share of customers with products older than 2 years
- Ensuring competitiveness vis-à-vis third-party providers (Independent After Market)
- Securing long-term spare parts supply and delivery obligations

Based on the chosen objective and the resulting Reman spare parts portfolio, a **sales concept** and concrete **demand planning** should then be developed. Only once it is clear how the customers can be convinced of the new products and a sense of the possible additional sales has been established, does the development of Remanufacturing make sense and ultimately delivers success.

A completed strategic preparation is followed by technical detailing.

This requires particular know-how in **development and quality**. Once the reprocessing procedures have been selected and the spare parts specifications described, a **technical release** must be obtained (above all against the background of ensuring essential product functions, safety-critical features, product quality, etc.). As this form of release for existing development and quality organizations is often new in addition to their previous series production activities, additional persuasion is usually required for the purpose of remanufacturing.

## But where is the best place to start?

We at KBC have long years of experience in developing remanufacturing initiatives and initially focus on the following areas:

### a) STRATEGY DEVELOPMENT

Together with you, we determine whether Remanufacturing makes sense in your specific business constellation and market environment and formulate the objectives. In particular, we evaluate which of the main drivers of Remanufacturing applies best to your company.

### b) PORTFOLIO DESIGN & PRICING

After defining the drivers, we jointly focus on your spare parts portfolio and offer a quick and easy REMAN portfolio definition with our technical and business know-how.

### c) CLOSED PARTS CYCLE

On the basis of the defined portfolio, we jointly determine where the necessary old parts can be procured from (e.g. from an existing workshop network) and in what form they must be assessed for reprocessing - so that we can guarantee a continuous, closed parts cycle.

### d) PROCESS & TECHNOLOGY

With our many years of automotive and supplier know-how, we are predestined for the design of the necessary preparation processes as well as the diagnostic and testing processes for old parts.

We can therefore also drive the implementation of necessary IT system adaptations through to technical concepts and accompany their implementation.

Curious?

Then feel free to contact us.



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