Revealed: the new global remanufacturing benchmark

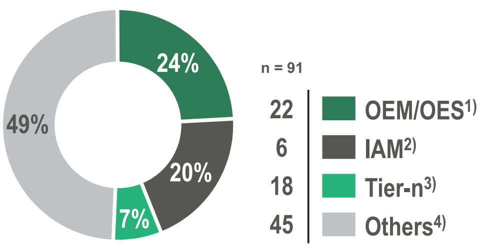
In a major exclusive study, ReMaTec and Kemény Boehme & Company have uncovered what companies think about their work in the remanufacturing industry, from core handling to issues of quality. Published in *ReMaTecNews* for the first time, here are a few of the highlights

Last year, at ReMaTec 2017 in Amsterdam, ReMaTec and management consultancy Kemény Boehme & Company (KBC) conducted a study to provide deep insight into all aspects of today's remanufacturing industry. Respondents from North America, Europe and Asia-Pacific were asked about the markets in which they operate, their products and processes, as well as how they handle key issues such as reverse logistics and warranties. More than 90 responses were received at the show, via ReMaTec.com and from other social media channels. These answers build up a picture of a confident, professional sector which has a clear eye on the future.

The good news is that reman is a strongly-growing market in which diversification, professional core management and high quality standards are of increasing importance. But there are challenges…

WHO WAS PART OF THE STUDY?

TYPES OF PARTICIPANTS



n = 91

RELEVANCE OF REMANUFACTURING BUSINESS?

STAFF WORKING IN REMANUFACTURING IN THE ASKED COMPANY

% of staff	OEM/OES	IAM	Tier-n	Others	TOTAL
<25%	52%	42%	43%	43%	43%
25% - 50%	4%	5%	14%	14%	7%
50% - 75%	17%	26%	14%	14%	22%
>75%	26%	26%	29%	29%	28%

n = 91

1) OEM = original equipment manufacturer/OES = original equipment service
2) IAM = independent aftermarket 3) Tier-n = suppliers 4) e.g. service, government, university, consultancy

HOW IMPORTANT IS REMANUFACTURING?

SHARE OF COMPANY REVENUE GENERATED BY REMANUFACTURING

share of revenue	<25%	25-50%	50-75%	>75%
OEM/OES	52%	17%	4%	26%
IAM	26%	21%	21%	32%
Tier-n	43%	29%	14%	14%
Others	71%	14%	0%	14%

▲ For approximately 70% of the OEM/OES and Tier-n respondents remanufacturing means 50% or less of total sales. For more than 50% of IAM surveyed remanufacturing means 50% or more of total sales. Nearly one-third of IAM's generate more than 75% of their total sales by remanufacturing – more than a quarter of respondents at OEM/OES.

WHERE IS REMANUFACTURING LOCATED?[1)]

LOCATION OF REMANUFACTURING PLANTS/SITES

Region	OEM/OES	IAM	Tier-n	Others
Central Europe	47%	42%	80%	30%
Eastern Europe	9%	11%	0%	20%
North America	12%	21%	0%	20%
Asia-Pacific	24%	21%	20%	20%
Africa and Middle East	3%	0%	0%	0%
South America	6%	5%	0%	10%

n = 91

1) multiple answers possible

WHAT ARE YOUR FOCUS PRODUCTS?[1)]

TODAY'S FOCUS

OEM/OES
- 20% engine & engine parts
- 18% transmission & transmission parts

IAM
- 20% engine & engine parts
- 15% steering/suspension systems & components

Tier-n
- 29% air conditioning & cooling components
- 29% engine & engine parts

Others
- 27% electronic parts
- 18% steering/suspension systems & components

n = 91

1) multiple answers possible

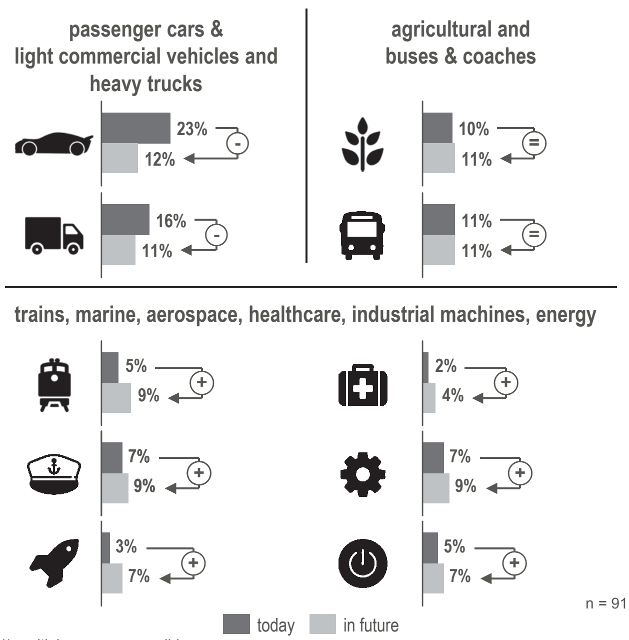
▲ Parts remanufacturing sites are located mainly in Central Europe and Asia. North America and Eastern Europe also play a crucial role as location sites. In South America, Africa and the Middle East, on the other hand, there is hardly any reprocessing of parts. The market proximity plays in comparison to other aspects, such as low labour costs, a key role in the choice of location for reprocessing.

▼ The remanufacturing industry is currently dominated by the automotive industry (cars, commercial vehicles, buses, agricultural machinery). According to the respondents, however, the automotive industry will decline or stagnate in all areas. New industries such as trains, marine or aerospace are becoming increasingly important.

▲ At OEM/OES today (and in the future) the focus is on the remanufacturing of engines and engine parts as well as transmission and transmission parts. Today IAM are also focusing on the remanufacturing of engines and engine parts as well as steering/suspension systems – in the future turbo and turbo parts will become increasingly important. Today Tier-n are remanufacturing engines and engine parts, transmissions and transmission parts, as well as air conditioning systems – in the future, the focus will be on engines and engine parts.

WHAT ARE THE FOCUS INDUSTRIES – ACROSS ALL TYPES?[1)]

TRENDS TODAY AND IN THE FUTURE



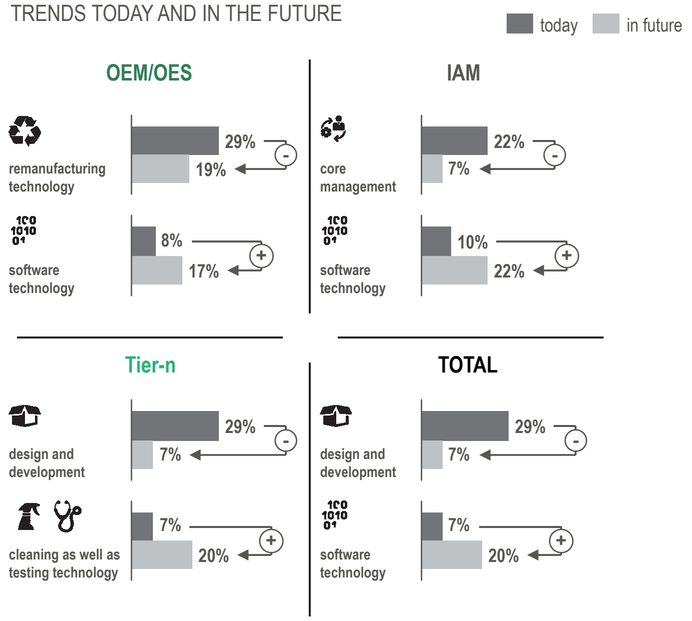
n = 91

1) multiple answers possible

"The automotive industry will decline or stagnate in all areas. New industries such as trains, marine or aerospace are becoming increasingly important"

WHAT ARE YOUR PRIMARY COMPETENCIES?[1)]

TRENDS TODAY AND IN THE FUTURE



n = 91

1) multiple answers possible

▲ The primary competence of OEM/OES today and in the future is in remanufacturing technology as well as in the field of testing and diagnostics. Today IAM have their primary competences in core management and remanufacturing technology. The primary competences of Tier-n are the design and development of components/parts and the development of tools for remanufacturing. In the future the importance of software competence will increase significantly for OEM/OES, IAM and Tier-n.

▼ 75% or more of the surveyed companies give a one or two year warranty on remanufactured parts – a one year warranty is the rule. More than two years warranty are only given by OEM/OES. Some interviewees even offer no guarantee on the remanufactured parts.

HOW DO YOU ENSURE QUALITY?

DIFFERENT OFFERS OF GUARANTEE TO CUSTOMERS

	OEM/OES	IAM	Tier-n	Others
no guarantee	10%	18%	20%	50%
one year	45%	47%	60%	0%
two years	30%	35%	20%	0%
more than two years	15%	0%	0%	50%

n = 91

HOW DID YOU GET BACK OLD PARTS/CORES?

TYPES OF INCENTIVES FOR CORE RETURN & GOOD CORE QUOTA

incentive	OEM/OES	IAM	Tier-n	Others
deposits	75%	56%	25%	0%
adjustment surcharges	25%	44%	75%	100%
good core quota	69%	54%	38%	23%

n = 91

▲ Three-quarters of the OEM/OES use deposits as an incentive model for the return of cores – and vice versa for Tier-n, where three-quarters stake on adjustment surcharges. At the IAMs there is no clear trend between deposits and adjustment surcharges. The share of good cores is clearly highest at OEM/OES with almost 70%.

Survey in brief

1. Central and Eastern Europe are crucial markets for the companies surveyed, with North America and Asia-Pacific regions also playing an important role.
2. Europe remains the key market for them when it comes to remanufactured parts.
3. Passenger cars, light commercial vehicles and heavy trucks are among the key target industries for those who responded to the survey, with marine, aerospace and healthcare some of the main industries which are seen as being increasingly important in future.
4. When it comes to focus products, they ranged widely – from air conditioning and braking to engines and transmissions.
5. Core logistics is central, with about 70% of OEM/OES mainly procuring their cores from their own products or warranty returns. In addition to their own products, two-thirds of IAM respondents use the parts of other manufacturers and procure from core/part dealers. Half of Tier-n companies focus on warranty returns.

Interested to learn more?

Full ReMaTec/KBC study is available via the **MyReMaTec.com** portal.
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