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STOCKING & SELLING REMAN PARTS

Remanzufactured parts have long been a more affordable alternative to new parts. Historically, reman parts typically sell for 25 to 40 percent less than comparable new parts. The price difference is a strong sales incentive, especially for do-it-yourselfers who are trying to save money on repairs. But now there's a new angle to selling reman parts: they're also "green."

Green marketing has become a buzzword for products that are more environmentally friendly, that reduce waste or lessen the consumption of energy and raw materials in their manufacture or usage. Green marketing has taken off because many people are concerned about global warming and the impact it is having on the weather and environment. Many consumers are now shopping for "green" products that reduce their carbon footprint and make better use of limited resources. Remanufactured parts certainly fit that category.

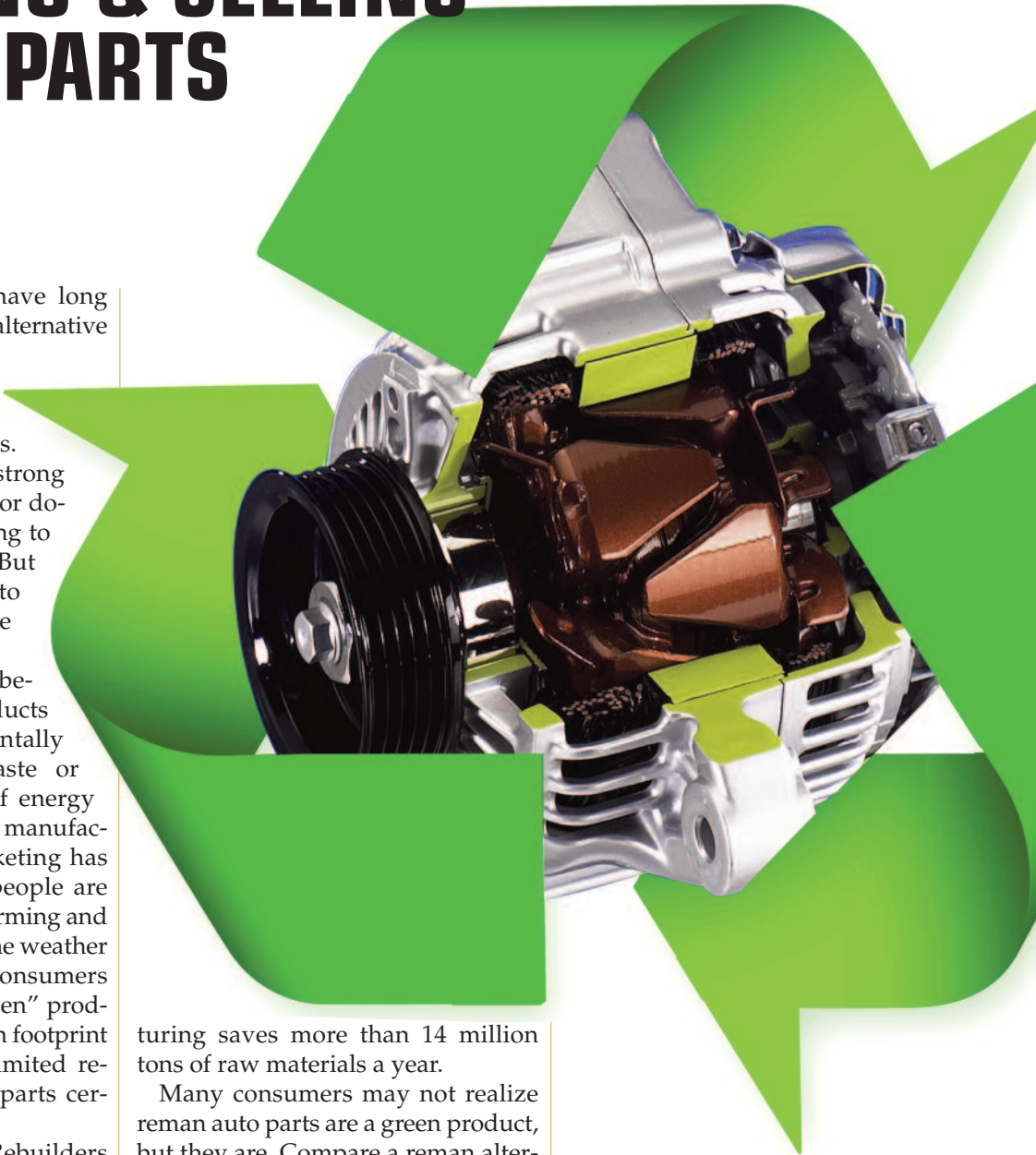
The Automotive Parts Rebuilders Association (APRA) says remanufactured auto parts use only about 15 percent of the energy that would go into manufacturing a new part. Remanufactured parts also reuse about 88 percent of the raw materials from the original parts. Consequently, remanufacturing helps reduce the worldwide demand for raw materials. One report estimates remanufac-

turing saves more than 14 million tons of raw materials a year.

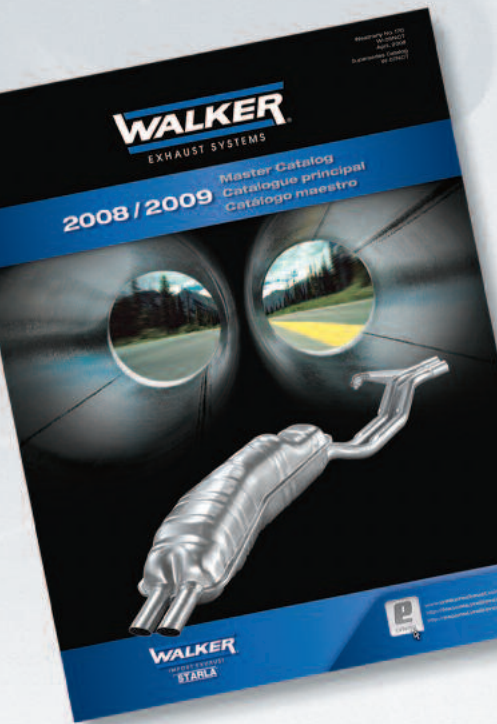
Many consumers may not realize reman auto parts are a green product, but they are. Compare a reman alternator to a new alternator. The reman unit reuses the original aluminum casting, the original iron rotor and the original copper stator windings. The brushes, shaft bushings and some of the electronics (such as the rectifier diodes) may be replaced depending on which components are worn out, have failed or need to be upgraded. So instead of going into a landfill or

being melted down for scrap, most of raw materials in the original part are cleaned up, inspected, tested and returned to service.

Reusing aluminum and iron castings is a very energy-efficient way of remanufacturing parts because it takes a lot of heat to melt and pour metal. Add to that the energy and tooling costs that are required to



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make and machine raw castings into a finished product, and you can see why reman parts make economic and environmental sense. Everything from engines to ABS units, A/C compressors, alternators, brake calipers, clutches, CV axles, fuel injection components, master cylinders, starters, steering racks, transmissions and water pumps can all be economically remanufactured and marketed as green alternatives to new parts.

THE CHINA FACTOR

In recent years, China has become a major supplier of low-cost parts and components to the U.S. aftermarket. China's enormous pool of cheap human labor has helped make its export products dirt cheap compared to products manufactured in the U.S. This has eroded much of the traditional price advantage of reman parts versus new parts. In many product lines, new parts from China are very competitive with reman parts — especially on high volume parts where fewer SKUs are needed to cover a wide range of applications. But China's cheap labor costs have been undermined lately by higher raw material costs and higher shipping costs.

China's soaring economy has driven up the demand for steel, aluminum, copper and most other metals on world markets. Because of this, the price of both virgin metals and scrap metals have risen to record highs. At the same time, energy prices have also risen dramatically due to an increase in worldwide demand. Some would argue that the recent jump in oil prices has been mostly fueled by speculation and manipulation of world oil markets. But that's another issue.

The net result of these factors is that it is now more expensive than ever to manufacture new automotive replacement parts and ship them halfway around the world to reach the U.S. market. The cost to ship a container load of automotive parts from China to the U.S. has more than tripled in the past year! Consequently, China's price advantage on new parts versus reman parts may now be going the other way. So in

some lines that are now mostly new parts, there may be a shift back to more reman product.

AVAILABILITY

The availability of parts is another factor that plays into the reman versus new equation. It's very expensive to tool up new part numbers, so aftermarket suppliers who sell new parts tend to concentrate on high volume, fast-moving parts. A replacement part that fits only a few applications, does not sell in huge numbers or would require a lot of tooling expense to manufacture is probably not a part that anyone would make — which is good news for remanufacturers as well as consumers (assuming it is offered as a reman product).

Many remanufacturers in the U.S. have been hurt by the influx of low-priced new parts from offshore, and some have actually been driven out of business (the collapse of American Remanufacturing Inc. in 2006, for example). By targeting the high-volume numbers for various types of replacement parts, offshore suppliers have forced many rebuilders to shift their focus to limited production, low-volume parts and parts for newer vehicles. This includes a lot of the new, high-tech, high-dollar components such as PCMs, ABS units, other types of modules, gasoline and diesel fuel injection components, and so on. Many of these parts do not lend themselves to low-cost, high-volume reproduction, and they can be very profitable to rebuild.

QUALITY

Quality is another issue that is often mentioned with respect to reman parts as well as new parts from offshore suppliers. A low price doesn't mean much if the part is defective out of the box or if it fails after a limited period of service. Many DIY customers may not be overly concerned about quality if they are just fixing a car to sell it or trade it. But for those who intend to keep their vehicles, quality is important — especially if they've had a bad experience with a poor quality aftermarket reman part or a new part. Some of these bad ex-

periences can be dismissed as “misdiagnosis” or “installer error.” But many are also due to poor quality control on the part of the rebuilder or supplier.

A quality remanufacturer or supplier will use quality materials and workmanship, will test their products to make sure they work before they go in the box, and will stand behind their products with a reasonable warranty (the longer the better). Those who cut corners to cut costs may not do any of these things.

Take a rebuilt starter, for example. A low-cost rebuilder might just replace the brushes, clean the starter and give it a fresh coat of paint before it goes in the box. They might not even test it to see if it spins. Where’s the value for the consumer when they discover the rebuilt starter doesn’t work or fails after a couple months of use?

A quality rebuilder, on the other hand, will thoroughly inspect and test every component that goes in their starter. They will also replace all the components that commonly wear out in the starter, resurface the commutator on the armature, and check the cranking amperage and cranking rpm to make sure they meet OEM specifications. Knowing that they have a quality product, they will also back it with a longer warranty. The consumer may pay a few bucks more for the quality starter, but they’ll get their money’s worth in the long run.

Most professional technicians demand OEM quality whether a part is reman or new because they don’t want comebacks and dissatisfied customers. Most warranties do not cover installation labor, so no technician wants to take a chance on a part that might not work right or cause a problem down the road. They want parts that fit, function and perform like the original parts they replace, so quality is far more important than price.

Reman parts use the same casting or stamping and other internal components as the original part, so the only issue as far as most technicians are concerned is if the part is remanufactured to high-quality standards. In this respect, brand name products generally have more of a reputation to protect than no-name products.

ENVIRONMENTAL IMPACT

In addition to price, availability and quality, reman parts also reduce the impact of auto repair on the environment. As mentioned already, reman parts reuse materials that might otherwise end up in the waste stream. Reman parts also require less energy to produce because the major components that are reused have already been made and machined. But reman parts do require more labor input because old parts must first be disassembled, cleaned and inspected before they can be reassembled and reused. That’s not all bad because it creates jobs for people. Unfortunately, many of those jobs have gone to low-cost labor markets like Mexico to reduce costs. Many rebuilders have had to relocate their facilities to remain competitive against the flood of cheap parts from China.

Some say reman parts are not as green as they claim to be because old parts have to be cleaned and degreased — which may not be as environmentally-friendly as manu-

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facturing new parts. The fact is, all parts have to go through some kind of cleaning process, even new ones to remove machine oils and other contaminants.

Remanufacturers typically use eco-friendly cleaning procedures and chemicals that minimize waste and pollution. Many parts are thermally cleaned in high-temperature ovens that vaporize and burn off dirt and grease. Keeping the temperature high minimizes stack emissions of hydrocarbons and other pollutants. Hot tanks filled with chemical solvents have been replaced by high-pressure spray cabinets that wash parts with biodegradable water-based detergents. Various types of blasting media may also be used to clean certain parts, and the media is typically recycled over and over.

A CORE ISSUE

One of the tradeoffs of remanufacturing is that it requires rebuildable cores. Cores may come from salvage

yards or core brokers (who buy cores from various sources). Or, the core may come from the customer when he exchanges his old part for a reman part. If the core comes from the customer, the parts store and warehouse distributor has to handle it, store it and eventually ship it back to the remanufacturer so it can be rebuilt.

Cores are dirty and messy, and nobody likes to handle them. They often ooze grease or oil or coolant or brake fluid, and can leave a royal mess on a parts store counter. Cores also take up valuable space that could be used to stock more parts, and they tie up money that might otherwise be put to better use.

There are also issues with core identification. Is a core the correct one for the application? Has it been properly marked or labeled? If a core is not the correct one for an application, or it is not rebuildable because of damage, wear or missing parts, who pays for it? The customer? The warehouse distributor? These are some of

the reasons why WDs would just as soon sell new parts that don't require any core exchanges.

Some remanufacturers have addressed the core issue by selling their products outright with no core exchange required. The problem with this business model is that they then have to find rebuildable cores from another source. And what happens to the core that would have been turned in? It probably ends up in a Dumpster, or is sold for scrap metal. Either way, a potentially valuable core is permanently lost. And with hard-to-find cores for many applications, the loss of a good core just drives the price up even more.

Returning cores makes virtually any part, new or old, easy-to-find or hard-to-get available for recycling and remanufacturing. It extends the life cycle of the part, and reduces its impact on the environment. That's why reman is a still good way to go, even if that part is available for less from China or someplace else. ●

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