

## White Paper

### Reman Parts Gaining More Favor with Truck Operators

*– quality, availability and warranty are key factors*

By Doug Wolma, general manager – worldwide operations, Meritor, Aftermarket

The aftermarket has never been more important to North American truck operators as they strive to maximize life and uptime from their current fleet of trucks and trailers. With an average vehicle age approaching nine years, the fleet manager-- with his available distribution channel for replacement parts -- focuses on quality parts, fast access and availability and overall life cycle costs, including appropriate parts support, counsel and expertise.

Dealers and distributors are always looking for products that will appeal to cost-conscious customers, including price point and remanufactured parts. The parts channels are continually sorting through the increasing number of available parts sources, including low-cost suppliers they've never heard of before, increasingly from countries outside of North America.

Remanufactured components are a smart price-point alternative for fleets of all sizes and vehicles of all ages given the current market economic conditions. The second, third and fourth owners often have different priorities than the original owner, and the focus on the initial acquisition cost is often heightened as the vehicle ages and changes owners.

The increased sale of used trucks has brought a step up in the number of remanufactured components being purchased to outfit many of those same used or older vehicles.

Before- and after-the-sale support has never been more sought and even demanded by fleet operators, and their goals for the reman components are high quality, lower price, strong unlimited national warranty, and fast availability of the exact component model needed.

Remanufactured truck and trailer components – the product of a disassembly, cleaning, rigorous inspection and qualifying re-used components including necessary replacement, reassembly and testing process -- are ideal for customers who want performance, service life, and warranty support without the cost associated with a new component

### **Availability Is King**

In aftermarket parts – including reman components, availability is king – when business is good, you rarely hear of pricing problems. In a tough economy, truck operators rely even more heavily on fast reliable delivery and service as their wheels have to be moving to make money and stay in business. Distributors, dealers, fleets and other end-users are being squeezed at every turn for margin, cost reduction, and reduced working capital. The true “aftermarket survivors” must flourish in a tough market by staying true to its convictions of high parts availability and responsive delivery.

One element involves inventory -- stocking parts that are low-priced but deliver good performance and value. This can include “OEM-approved” parts that are made by a third-party vendor but meet rigorous performance and manufacturing standards set by a reputable OE manufacturer here in North America. That OEM may not produce the parts, but it sure stands behind it.

One Meritor product manager offered, “We’ve become their local warehouse since dealers no longer have to inventory the right Mascot reman unit. We have it ready to go that day or at latest, the next day.” For wear items like brake shoes, local markets often have multiple products available for fleet needs, however for those non-wear items, local availability has never been more important. Remanufacturers that figure out how to maximize that local market availability will certainly gain market share as fleets look to keep their vehicles operating.

According to Terry Livingston, general manager – U.S. and Canada, Meritor, the speedy availability has tremendous appeal in the OES (original equipment service) channel. In fact, with

reman transmissions and differentials, the dealers need those products when the truck breaks down. Dealers value the ability to offer a high-quality reman product for a fraction of the cost of a new one from companies they trust. By facilitating a speedy response, a supplier can help its OES-channel customers be more competitive and profitable when securing the sale. And they don't have to use space in their own parts distribution centers or invest their own working capital for inventory.

Having the part is only half the equation – suppliers simply must deliver that part at the right time. Several companies will sell individual parts to distributors who rebuild components on-site for customers. The end result is a working replacement part that's lower priced for purchase and will get the operator and his vehicle on its way, but with no guarantees about quality or performance.

To take full advantage of the lower prices of reman components, the old parts or cores need to be returned for their "core value". Proper and intelligent management of the core inventory is vital to maintaining the competitive pricing on reman components and ensuring the right model is available when needs by the truck operator.

### **The Power of 'Green' -- National, Collective Voices**

"With society's awareness of all the sustainability issues that the country and even the globe are facing, there has been an overwhelming realization that remanufacturing pays big dividends to society," said William Gager, president, Automotive Parts Remanufacturers Association.

"Politicians, businessmen, academics and the consumer are now aware that remanufactured products reduce the amount of product that goes to landfills, reduces air pollution, saves energy, saves natural resources and provides the consumer a quality product at an affordable price, As the population of vehicles continues to increase worldwide the future of remanufacturing is very bright. Consumers are realizing that by using remanufactured products they are maintaining the life of their vehicle as well as extending the life of their vehicle. The

prospects for more remanufacturing of all sorts of manufactured products have a very bright future,” he said.

Gager added that “remanufactured parts are the highest form of recycling...so the business is being re-discovered by a lot of people, who are saying maybe we should encourage more and more remanufacturing as a way of reducing global warming, emissions and so forth. And I think that is going to drive a lot of changes in the marketplace.”

According to National Center for Remanufacturing and Resource Recovery at the Rochester Institute of Technology (RIT), transportation including heavy duty trucking is the second largest segment of remanufactured products.

"Remanufacturing as an industry will have to grow and prosper in the future by many fold in the next five years," said Dr. Nabil Nasr, RIT. "It offers the best solution to obvious challenges, plus it meets the sustainability goals. The remanufacturing industry continues to progress and extend more smart value to the end-user. Think of the benefits: conservation, greater value, and extremely proven quality."

The recently-formed Motor & Equipment Remanufacturers Association (MERA) refers to remanufactured components as “Manufactured Again”. “At MERA, we are elevating the understanding and perception of remanufacturing,” said MERA president John Chalifoux. “Our members use standardized industrial processes to produce superior quality remanufactured parts that deliver valuable benefits for both customers and society.”

Remanufacturing also provides the environmental ‘green’ benefit through extending the productive life of a part that might otherwise be scrapped. For example, at Meritor, over 24,000 tons of metal are recycled every year, and over 37,000 tons of cores are returned to the company’s remanufacturing facilities every year.

### **Not all Remans Are the Same**

Make no mistake, all reman components are not the same. A truck operator can come across running take outs referred to as reman. Not a single component will be verified nor inspected for critical dimensional and wear criteria. Sometimes you may hear these products referred to as “spray and pray”. Some suppliers consider a good paint job to be a job well done. It is imperative that fleets understand the process used to reman the components they use. The key is to make sure that the component is: completely disassembled, each part is inspected, qualified -- only validated recovery processes are used, all mandatory replacement parts are changed out , and proper re-assembly process is used

When a customer buys new, he receives consistent quality, trusted OE supplier-partner(s), and a new vehicle-cost. In rebuilt components, the same customer could deal with improper inspection and testing during bench work, the core may not be recoverable in a lot of cases which will require more new content and higher cost, and a national warranty is almost impossible to obtain as critical work is done by hand locally.

With remanufacturing, the customer can expect advantages of quick turns in the service bay with a quick removal and replacement, performed by a respectable enterprise. That remanufacturer must offer a national warranty program.

One district service manager offered: Reman carriers are used when a catastrophic failure occurs and it needs to be replaced. A reman is generally of lower cost and locally available. Replacements occur when a carrier fails from a number of causes including general high mileage wearout, shockload, overload, run low or out of oil, excessive differential action or spinout from getting stuck and failure of major components. Remans have also been used when the repair facilities cannot repair the failed axle due to unqualified staff or overly busy location not being able to due a timely repair. An upgrade to a driver-controlled diff lock or pressurized lube pump option would be other causes to use a reman.

Many companies will claim to have a remanufacturing process that brings original life to a rebuilt differential, but not everyone is willing to invest in the capital equipment or labor

required to do high quality reman work. This is especially true with core recovery. A repair that has not been validated in an engineering laboratory can prove to be a recipe for disaster.

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Meritor Inc. entered the remanufacturing business in 1982 at its Florence, Ky., national parts distribution center with drive axle differentials. That operation later relocated to a 275,000 sq.ft. facility in Plainfield, Ind. In late 2007, Meritor acquired Mascot Truck Parts, a remanufacturer of all-makes differentials, manual transmissions, drivelines and steering gears with a strong reputation for product quality and customer service, with production in Canadian facilities and a wide 29-location network of distribution centers across United States and Canada. In 2008, the company acquired TruckTechnic, Liege, Belgium, which remanufactures disc brake calipers and cam brakes and steering gears.

In the case of Meritor's U.S. and Canada distribution system, quick, easy, thorough inventory is established to provide next-day delivery. This method allows for 95 percent of the customers to be supplied in one day or less. Suppliers with dependable delivery schedules with reliable fill-rates should factor in the calculation of the total parts cost.

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