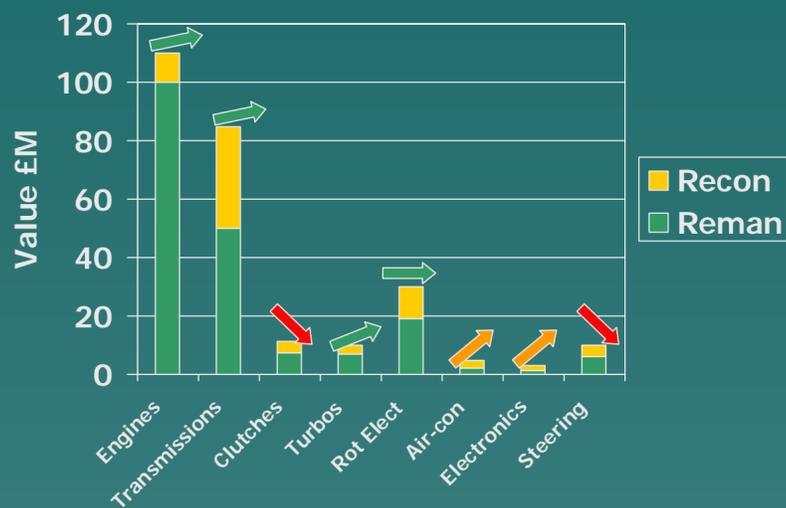


Automotive sector

Product Trends



- ◆ Values
- ◆ Remanufacturing: £200M
- ◆ Reconditioning: +£50M
- ◆ VM activity abroad: £50M
- ◆ Most products, fewer than 10 companies, account for half the value
- ◆ Variety of OEM, contract and independent agents
- ◆ Industry shakedowns; import threats

Quality remanufacturing

- ◆ Peer group recognition
- ◆ Quality systems & processes
- ◆ Guarantees
- ◆ Contractual obligations
- ◆ Depth of service
- ◆ Service functions
- ◆ Product improvement
- ◆ Redesign capability
- ◆ Technology investment



Opportunities and actions

Opportunities:

- ◆ electronics (currently 15% of car value)
- ◆ Air-con (perhaps by refrigeration reman)
- ◆ Export of competence abroad
- ◆ Independent or following OEMs
- ◆ Potential to double net value to UK

Actions

- ◆ Help build mutually beneficial VM/OEM/remanufacturer relationships
- ◆ Improve core return channels from independent garages
- ◆ Develop channels to market in Southern Europe
- ◆ Research ability to export capability into Eastern remanufacturing
- ◆ Build best practice learning for automotive

Conclusions

- ◆ There will be a consistent threat to medium sized operators from imports of cheaper new product. However, many import product lines are limited in scope hence there is room for remanufacturers with a comprehensive product capability
- ◆ OEMs and VMs are cautious in their approach to independent remanufacturing due to the potential of poor operators to destroy brand value.
- ◆ However, leading operators have consistently shown capability to meet the challenge of the latest specification engines, turbos, gearboxes and electronics by investment in top-end machinery and diagnostics.
- ◆ IS skills are becoming increasingly important as systems become electrically integrated.
- ◆ Collaboration between OEMs and remanufacturers can benefit consumers because of the opportunity to hasten the product improvement cycle.
- ◆ The material and environmental benefits of remanufacturing have been identified in other studies. Some companies are now advertising these benefits as a selling feature (see www.national-auto.co.uk/remanufacture.html).