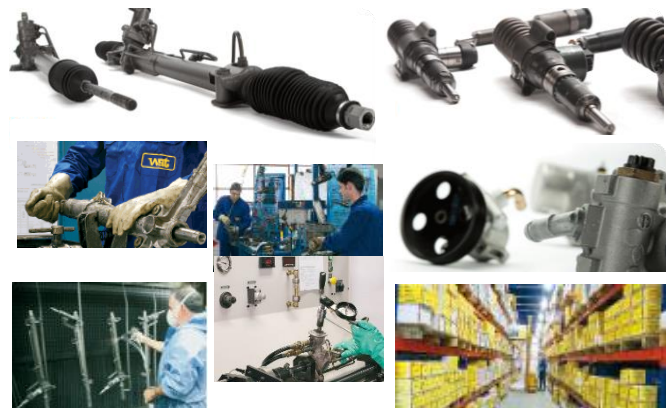




Company: WAT Direcciones
Location: Mallabia, Vizcaya (Spain)
Type: Independent remanufacturer
In reman: Since 1994
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PRODUCTS

Steering racks and power steering pumps

CORE SOURCING

WAT uses two sourcing methods:

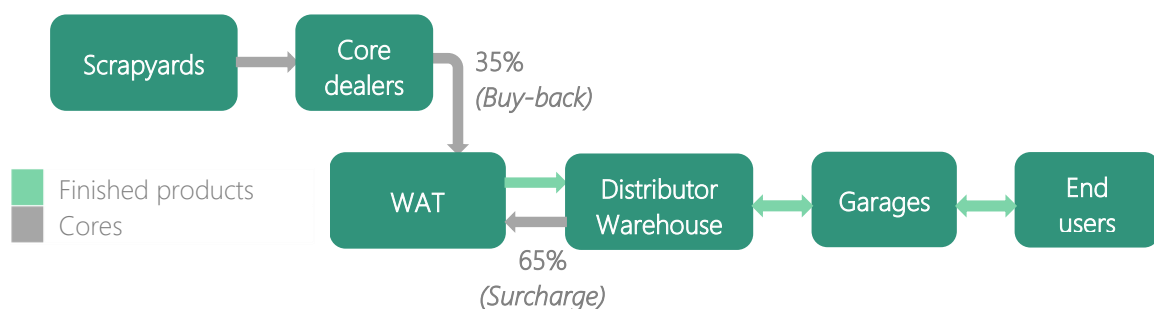
- Surcharge model: when customers buy the product, they are charged a deposit that can recover if they return the item in good conditions so that it can be remanufactured. The 65% of the cores are obtained in this way.
- Buy-back: they buy used parts from independent core dealers, who obtain the cores from scrapyards in huge amounts. This method represents the 35% of the cores input.

BUSINESS MODEL

The company was established in the latest 70's and widened their business to the reman industry in 1994. Back to these days, the reman products represented only the 10% of their production and nowadays it has grown up to the 70%.

VALUE CHAIN

WAT have a high manufacturing capacity thanks to their two facilities in Vizcaya (Spain) and Völklingen (Germany), and they serve the international aftermarket through several distributors in Europe, America and North Africa. The value chain for the steering racks and pumps is showed in the flow diagram below.



REMANUFACTURING PROCESS

The steering racks and pumps are remanufactured according to the following processes:

1. Cores' visual inspection and acceptance according to their acceptance criteria
2. Sorting and storing by references (model)
3. Disassembly and cleaning: they recover the 75% of the product's value since the main wastes are "cheap" materials (e.g. teflon and rubber) or highly eroded components (e.g. metal ball joints)
4. Verification, quality tests and various subassembly processes
5. Final assembly process of steering rack and pump

6. Three functionality testing
7. Painting, traceable labeling, packaging and manual test
8. Reference labeling and storing

DRIVERS

In 1994 there were not too many Spanish companies into the reman business, so they saw the remanufacturing as a learning oriented process in a prospective market, taking advantage of their previous experience in manufacturing new products and slowly adapting their processes towards remanufacturing.

Moreover, remanufacturing was a more environmentally friendly way of producing high quality items as functional as the new ones, and even cheaper. So the drivers were a mix of seeking business evolution, growing opportunities and environmental awareness.

BARRIERS AND CHALLENGES

The OEMs always go one step ahead the remanufacturer, they develop technology and products to which remanufacturers need to adapt in order to be able to repair them. There are thousands of car models, several manufacturers continuously competing between them and releasing new and more sophisticated products. This evolution never stops and remanufacturers have to make high investments in technology, hence it is major challenge.

Legislation (or the lack of it) can sometimes generate inequality and be a barrier. In Spain environmental policies are managed by the Autonomous Communities (AC) and there are some legal and financial differences for the companies depending on to which AC they belong to (e.g. some taxes, taxes reliefs, subsidies).

CUSTOMERS, STRATEGY & KEY RESOURCES

The strategy followed by WAT is to offer a remanufactured product at a price considerably lower than a new one but with the same guarantee (2 years), this is how they prevent customers from thinking that reman products are of inferior quality. The customer can perceive savings ranging from 30 to 70% compared to a new product, depending on the car model, and they also notice the environmental value of the product.

Tangible key resources are the cores, because it is their "raw material" and it is finite, and the technology. Their intangible key resources is the qualified and skilled personal, the strong investment in I+D+i and the know-how they have due to their years of experience in the business.

ECONOMIC BENEFITS

Since they use less raw materials and produce less waste, producing a remanufactured steering rack is cheaper. To customers, they see a top quality item at a lower price and with the same guarantee.

ENVIRONMENTAL BENEFITS

They collect and recycle all the chemicals products used in the cores' cleaning stage. They are currently working to obtain the ISO 14001 standard to establish an environmental management system.

SOCIAL BENEFITS

The main social benefit is job creation, they employ around 30 people in the Spanish facility.

ADVANCED MATERIALS RECOVERY

No advanced materials are recovered in this process

CHALLENGES TO IMPROVE THE BUSINESS MODEL

The main challenge is to evolve and make the business grow. They believe that cars can be 100% remanufactured and they want to be one of the first companies to do that.