

As COVID-19 supply chain interruptions take hold, will Remanufacturing be on the next board agenda?

By David Fitzsimons, Director, European Remanufacturing Council

“When your suppliers let you down, it is already too late to develop a remanufacturing capability” – Binshi Xu told me during a meeting in Hejian in March 2018. Binshi Xu is the venerated thought-leader responsible for China’s policies on product remanufacturing. He spent formative years in the military and has since driven policy makers in China to prepare for a future of increased supply chain interruptions. COVID-19 (coronavirus) was not on the list of risks I discussed with his large team of PhDs and engineers – a cadre of experts responsible for developing activities at the seven large-scale demonstration zones for remanufacturing in China. Tsunamis, armed conflicts, financial crises, trade wars, climate change and strategic mineral security may have been listed as scenarios but, for some of us, the probability of such risks having a material impact on a national economy seemed, back then, to be very small.

In the same way that China has been developing remanufacturing capabilities as one aspect of a national risk mitigation strategy, so have some supply chain companies. **DSV** and **syncreon** have been investing in readiness for the moment clients demand answers to problems caused by supply interruption. Andy Lahy from global logistics company DSV saw the risk reduction value of remanufacturing services in 2016. Fiona Lillis at syncreon highlights how they set up a plant in Poland in 2015 to disassemble used printer cartridges and remanufacture them on behalf of their client **Lexmark**. As more supply chain interruptions are reported due to COVID-19, the board at Lexmark has an option to switch more European sales through their Polish remanufacturing lines – an option not available to their market-leading rival **HP**. **Xerox**, currently trying to acquire HP, was an early adopter of a business model that required remanufacture of their imaging equipment. Whilst HP has a first-class environmental record, Xerox may yet question the wisdom of a decision to abandon remanufacturing capability.

Even in staple product sectors like tyres, some companies are better prepared for disruption than others. I asked Audrey Douspis at **Michelin** about their well-established tyre remanufacturing capability for trucks and aircraft. Audrey describes the in-house technical staff responsible for maintaining the remanufacturing operations as “hidden superheroes” whose value becomes most apparent when disruptions occur. I concluded that for these larger products at least, remanufacturing gives the Michelin board a little extra flexibility at times of crisis to keep their customers moving. They have an option to balance new and remanufactured supply. Competitors who abandoned their tyre remanufacturing capability years ago could rebuild it if required, but only after a delay of several months.

Whilst I have no insight at this point on which components and products will be most impacted by COVID-19, I am certain we will be surprised. Xavier Hubert of **Clover Wireless-Teleplan** – a specialist in the refurbishment and remanufacturing of high-tech equipment – is monitoring the electronics sector very closely for signs of supply chain disruption. In previous episodes, he saw the price of some components spike for several months as their availability fell – generating significant demand for remanufactured products. A company like Clover Wireless-Teleplan is well positioned and prepared to cater for most of the shortages that organisations may face in their supply chains, typically highly reliant on China-based supply in this sector.

In the automotive sector, **FIAT** was first to signal that there may be COVID-19-related disruption. Although there are many hundreds of automotive component remanufacturers, it is simply not a sector that is organized to supply line-side components to new car makers. Instead, it supplies the aftermarket (automotive repair trade). On the other hand, **Volvo** is one of only a few OEMs that had the foresight to promote the flexibility of remanufactured components as an element of its corporate strategy. Today, as Volvo prepares to formally merge and then float with Chinese automotive maker **Geely** (according to FT reports), might I suggest to Volvo HQ that the words of Binshi Xu are displayed on their boardroom wall.

Postscript:

I am mildly optimistic that corporate boards will respond to this latest wave of supply chain interruption by reevaluating their in-house remanufacturing capability. Some will do so as a risk mitigation measure, but I am aware of others who are more ambitious. Maria Basso at the World Economic Forum is coordinating a project I am leading with the Advanced Manufacturing and Production Council. We plan to identify and demonstrate how a combination of advanced technologies can enable remanufacturing to be embedded in a product life cycle. If you are interested in learning more, would like to get involved, or simply want to learn about remanufacturing, do get in touch.

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About the Conseil Européen de Remanufacture:

The vision of the European Remanufacturing Council is to triple the value of Europe's remanufacturing sector to €100 billion by 2030. We will bring together businesses from every product sector to share knowledge, and seek changes to policy with the aim of making remanufacturing a normal part of the product life cycle.

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