

GRUPO SERCORE



Company: Sercore Tech
Location: Daganzo de Arriba, Madrid (Spain)
Type: Independent remanufacturer
In reman: Since 1982
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PRODUCT

Electronic power steering (EPS)

CORE SOURCING

Cores are collected in two different ways

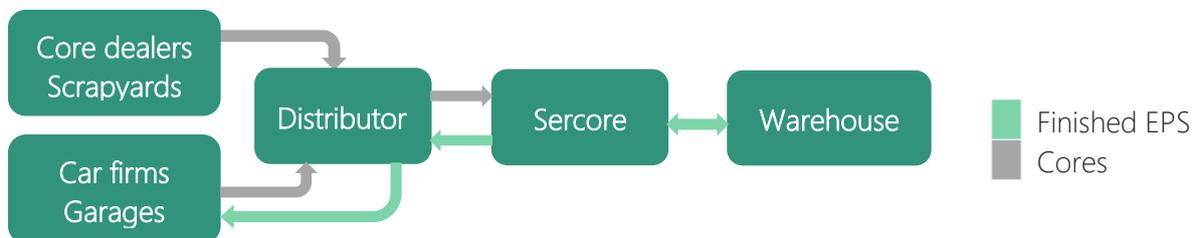
- Direct order: the car firms (e.g. Volkswagen), garages and buy groups (e.g. Aurgi) return the used EPS which are remanufactured, when possible, and sold again to these firms.
- Buy-back: the company retrieves used EPS from the suppliers, which can be scrapyards or other companies (core dealers).

BUSINESS MODEL

Sercore Tech was created in 1979 and started in the reman business in 1982. They were the first transmission remanufacturers that obtained the ISO 9001 standard in Europe, back in 1996. They started remanufacturing EPS in 2007 (approx.) and nowadays, they are the national leader in the manufacturing of these items and they export to more than 20 countries, count with more than 80 employees and have an important I+D+i department.

VALUE CHAIN

The company buys used EPS mainly to the car firms and garages but they also buy some of them to scrapyards in order to have finished products in their warehouse to avoid stockouts and to provide a good service level in a reasonable time. Since the automotive spare parts' industry is complex in terms of variety and logistics (there are lots of car brands and models, and the products might be requested from any point) Sercore works together with distribution companies to collect the used products from the different suppliers and also to deliver the finished products to their customers.

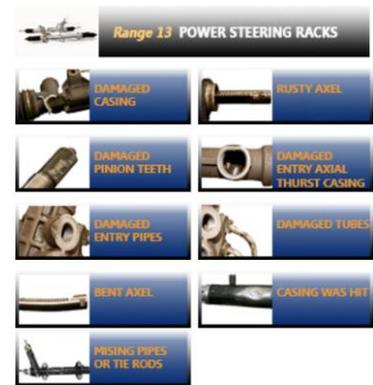


REMANUFACTURING PROCESS

Once the cores are collected by the ways mentioned above, the first step is the visual inspection item by item. This stage aims to be shortened by the Guide of Acceptance of Cores that the company has in their website. This

guide basically consists on 9 pictures corresponding to 9 cases in which EPS have been seriously damaged and hence they will not be accepted.

After the visual inspection, the cores are disassembled and thoroughly cleaned up. Then they are sorted by type of pieces to be inspected in depth. They usually replace the most worn away parts, which are the PCBs (specially the capacitors), the engine and the bellows by new ones, so they preserve the metal parts: the case, the worm and the worm gear. Afterwards, these metal parts are pickled, repainted and dried up. Finally everything is assembled and tested with their VcarSys, and emulation equipment specially developed for testing their electronic products.



DRIVERS

The drivers for Sercore Tech are the tradition, since it is a family business, as well as the environmental and economic performance to match the market demand with ecologic principles and processes.

BARRIERS AND CHALLENGES

Logistic management of cores and finished products is the main problem of their business model since they have to deal with several distributors, suppliers and customers and produce a huge variety of products. The major challenge is to be able to compete with other companies, both OEM and Remanufacturers, manufacturing in Spain instead of in other cheaper countries and in such a crowded market as the automotive is.

CUSTOMERS, STRATEGY & KEY RESOURCES

Their strategy is based on a price reduction (40-50% discount) and an 18 months warranty (by law, the minimum warranty for new products is 2 years and 1 year for remanufactured ones). They do not focus on specific customers or customer groups since they want their product to replace the new EPSs. The key resources for their success have been having high qualified personal (20% of the employees are engineers), the high investment in I+D+i and their collaboration with the american company Corteco in terms of I+D+i as well.

ECONOMIC BENEFITS

The final price of each item depends on the number of parts recovered from it: the more recovered parts, the lower the price but in general, the customer can expect savings around 40-50%.

ENVIRONMENTAL BENEFITS

Reduction of the use of raw materials and waste sorting and recycling: they contract other companies to manage all the wastes from their production (e.g: metal, oil, plastic, rubber, rare earths...) following the instructions of ISO 14000.

SOCIAL BENEFITS

They are the 1st remanufacturing company of EPS in Spain, employs nearly 80 people and creates value developing new products and devices.

ADVANCED MATERIALS RECOVERY

They recover aluminium and iron for their process and recycle all the other wastes as mentioned above.

CHALLENGES TO IMPROVE THE BUSINESS MODEL

Basically two: supportive legislation and improving people's opinion of reman products. Their performance is highly dependent on both aspects since legislation is needed to avoid unfair competition among companies and also to increase social awareness regarding the importance of encouraging and supporting green alternatives of manufacturing. Moreover, reman products need to be seen of the same quality as the new ones to improve sales.