Study Indicates New Units Hold Profit Potential

Courtesy of APRA

Although remanufactured units accounted for approximately 92.3 percent of the revenues in the North American starters and alternators aftermarket in 2005, current trends indicate that this share will marginally decline as new units gradually gain a foothold in the market, according to recently released research from global growth consultant Frost & Sullivan.

"New starters and alternators accounted for about 7.7 percent of the total aftermarket in 2005, which is likely to increase to 9.2 percent in 2012," said Frost & Sullivan Industry Analyst Sanjay Vasudevan. "The future growth rate of these units is likely to be relatively low, with revenues projected to increase from $77.2 million in 2005 to $82.9 million in 2012, and will take place at the expense of remanufactured units."

The projected growth of new units over remanufactured ones does not necessarily imply that total unit shipments will increase, but that new starters and alternators will eat into the share of remanufactured units.

In such a situation, many remanufacturers have started offering new units as part of their product portfolios to have more comprehensive product lines. New unit programs represent fresh revenue generation opportunities for remanufacturers that position these products as a premium offering.

"While major remanufacturers are gearing up to be full-line suppliers with product diversity by offering new units alongside remanufactured ones, the high degree of price competition posed by large retailers and distributors creates a challenging situation for them," said Vasudevan. "This is likely to lead to widespread consolidation among remanufacturers."

As a step toward becoming more competitive, remanufacturers are looking for ways to reduce the core charges associated with remanufactured units. This has become essential in the face of growing competition posed by the influx of new products entering North America from low-cost Asian countries such as China, India and Korea.

New units do not carry core charges, unlike remanufactured units. Moreover, new units produced by offshore manufacturers have improved considerably in terms of quality and reliability. Together, these factors are forcing remanufacturers to reduce core charges in order to reposition their units as a strong value proposition to retailers and distributors.

While some remanufacturers have started providing relief on the core deposits to distribution channel participants, others are taking steps to own the cores. Efforts to enhance the quality of remanufactured products by investing in test equipment and acquiring certification for certain quality standards have also been seen.

New analysis from Frost & Sullivan's North American Starters and Alternators Aftermarket research, finds that this aftermarket earned revenues of $1.01 billion in 2005 and is likely to reach $903.6 million in 2012.

Frost & Sullivan, along with the Automotive Parts Remanufacturers Association (APRA) is partnering to offer APRA a discounted rate on this recently released research.

For more information on how to claim your APRA membership discount, send an e-mail to Tolu Babalola at tolu.babalola@frost.com and include your full name, company name, title, telephone number, e-mail address, full mailing address, and country.

All APRA members are eligible to receive the North American Starters and Alternators Aftermarket research at a discounted rate of $1,500. Non-members can obtain this research for $6,000.

North American Starters and Alternators Aftermarket, part of the North American Automotive Aftermarket Subscription, provides a comprehensive assessment by outlining revenues and shipments in different market segments, key market drivers, restraints, trends, and competitive structure. In this research service, Frost & Sullivan's analysts thoroughly examine new and remanufactured segments of the starter and alternator aftermarket.

For more information about APRA membership visit www.apra.org.