

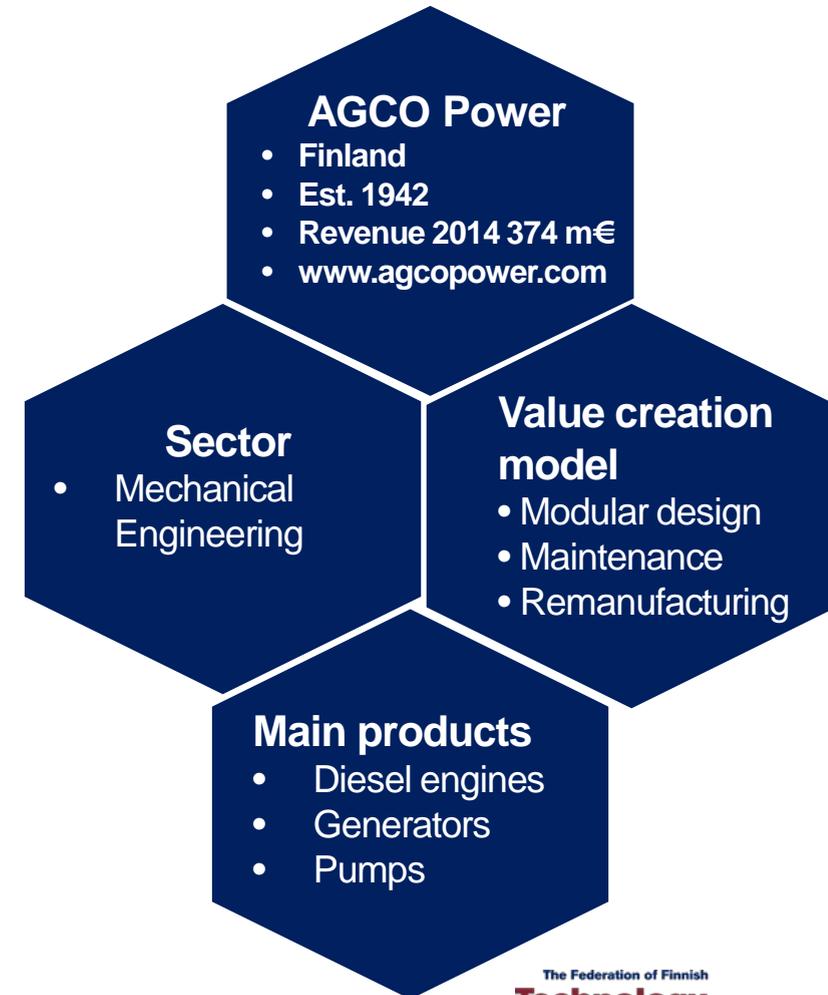
AGCO POWER

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The Company:

Remanufacturing is in the DNA of AGCO Power



- **AGCO Power** has made **diesel engines** at its plant in Linnavuori in the town of Nokia for nearly 70 years.
- The company supplies the engines to many of the world's leading manufacturers of tractors, other farm machinery and other offroad machines, such as harvesters.
- The factory has **remanufactured engines for close to 50 years**. After the Second World War, when Finland was suffering from shortage of basically everything. Wasting resources was not an option.
- Also in machine building one had to pay special attention to the **durability and reparability** of machines. It was essential that the engines could be repaired in very demanding conditions in the field, and without long breaks in the use.
- **Modularity and standardization** have been key design principles at AGCO Power for decades. Common platforms thinking, with similar basic designs and shared parts reduce waste in the production and make the aftersales operations more efficient. In the 1990's the company made a decision that the majority of parts will be common to all engines.



AGCO POWER has made diesel engines at its plant in Linnavuori in the town of Nokia (Finland) for more than 60 years.
(Source: agcopower.com)

The Challenge / Opportunity: Reman is a true win-win case



- The value proposition for choosing a remanufactured engine is clear.
 - From the Customer's point of view: Minimizing the downtime due to the service, and getting a remanufactured engine with the same guarantee as a new engine – at a lower price than buying a new engine.
 - From AGCO Power's point of view: Getting used engines back from the market, instead of them ending up in the hands of competitors or resellers. Very high percentage of engines sold return to the manufacturer.
 - For AGCO Power's resellers point of view: Remanufactured engine offers a low-risk option to provide their own customers with a fast and low-risk option to a traditional service and maintenance work.



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The Challenge / Opportunity: Growth in the remanufacturing business



- The remanufacturing business covers currently mainly the European market. However, through OEM customers, products spread all around the world. In other markets, high transportation costs easily eat up the benefits of remanufacturing. Long distances also have a negative impact on customers' willingness to return their old engine to the factory. In some markets, trade policy and protectionism make remanufacturing a less attractive alternative.
- Thanks to continuous product development, a **remanufactured engine is better than the original one**. Typically up to 15 – 20 % of the components have been improved during the time engine has been use. Many components, such as pistons / liners, bearing, gaskets, control units, sensors, cabling, are replaced with brand new ones.
- As with all recycled materials, it is very important that all engines coming back from the field go through a very detailed inspection. Majority of engines coming back from the field are in a reasonably good shape. There are certain criteria for approving the engines for the rema process: The engine has to be in one piece and all parts need to be present. In other words, the engine can be broken but it needs to be in such a condition that in can be repaired.
- Currently AGCO Power **remanufactures approximately 1,000 engines per year and the business is growing**. Over the past decade, the volume of remanufactured units has doubled and the revenue tripled.

