Automotive Cluster in Germany

- Tasks for SME

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1. Overview: General Situation and Trends

2. Situation of Suppliers: Spotlights

3. Tasks for Suppliers

4. Tasks for Clusters

5. Conclusions

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1. Overview: General Situation and Trends

Trends for Suppliers

Innovation/technology
- speed of product development/changes
- shorter life cycle of products
- increasing importance of integration
- cost reduction programs
- standardization & individualization

Market
- consolidation/concentration of suppliers: Mega-suppliers
- supplier follows OEM (Globalization)
- delivering different OEMs

Trends for Customers

- trend towards
  - premium car
  - 10-T-€-car
  - niche products/cross-overs

Trends for Vehicle Manufacturers

- global overcapacity
- industry consolidation
- positioning along the value chain (core competencies)
- cooperation, if not competition-relevant
- focus on added value
- built to order ↔ built to stock: shortening order-to-delivery
- product launches: shortening life-cycles
- niche products: shortening volumes per model

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## Global Sales up to 2010

**Source:** Autofocus

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td><strong>Triad</strong></td>
<td>Mio.</td>
<td>39,0</td>
<td>39,5</td>
<td>40,5</td>
<td>4 %</td>
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<tr>
<td>Nafta, Western Europe, Japan</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td><strong>Non-Triad</strong></td>
<td>Mio.</td>
<td>2,3</td>
<td>3,2</td>
<td>4,0</td>
<td>74 %</td>
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<tr>
<td>Share Eastern Europe</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Share Asia excl. Japan</td>
<td>Mio.</td>
<td>3,5</td>
<td>5,0</td>
<td>6,3</td>
<td>80 %</td>
</tr>
<tr>
<td><strong>Non-Triad Total</strong></td>
<td>Mio.</td>
<td>10,3</td>
<td>13,5</td>
<td>16,5</td>
<td>60 %</td>
</tr>
<tr>
<td><strong>Total Worldwide</strong></td>
<td>Mio.</td>
<td>49,3</td>
<td>53,0</td>
<td>57,0</td>
<td>16 %</td>
</tr>
</tbody>
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**Conclusion:**

- *Non-Triad is main region of growth (relative/absolute)*
- *Western Europe is problematic market*
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German Market of Passenger Cars/Saturation

Entwicklung der Pkw-Dichte
Zahl der Pkw je 1.000 Einwohner

Stand: Anfang des Jahres (ab 2001)
Quelle: KBA / MPS

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German Market of Passenger Cars/Saturation

Conclusion

Saturation of German Car Market

Esp. Replacement need
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Global Market: Production-Trends

Fahrzeugproduktion 2004 versus 2009
weltweite Produktion von Pkw und Kleintransportern (Angaben in Tausend)

Quelle: Global Insight

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Production of German OEMs

PKW-Produktion deutscher Hersteller im Inland und Ausland
(Stückzahlen)

Quelle: VDA; IGM

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2. Situation of Suppliers: Spotlights

The Situation:
- Stagnation of car sales in the Triad
- Shift of markets
- Growing markets worldwide
- Shift of production sites/OEMs
- Outsourcing of OEMs
- Growing value per car

Conclusion:
- Growing market for suppliers

but:
- Volatile markets
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Volatile Markets: Be prepared!

Scenario

2004
- increasing
- continuous
- decreasing
- pulsating

Market

Threats for suppliers
- Pre-Financing/Liquidity
- Margin Pressure
- Break-Even/Flexibility
- ROI-Problems

+ Bottleneck: Equity

Innovation Launches Life Cycle
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Bottleneck: Equity

Equity

Passiva

Activa

Fixed Assets

Current Assets

Credit Capital

Sum

Sum

Strategic Decision

Process Optimization
Conclusion

Control your bottlenecks!
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3. Tasks for Suppliers

- To do the right things
  - Strategy
  - Programs
  - Projects
  - Management of Resources
    - Controlling, Management Systems
    - Management, Organization, Employees
    - Contracts

- To do the things right

The basis

Imperatives for Suppliers:
- Do your homework
- „Be attractive“

Common Pitfalls/Suppliers:
- Not aware of core competencies/USP
- Technology driven/not market pull
- Poor marketing
- Investments incompatible with strategy
- Poor controlling
- Inefficient change management

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4. Tasks for Clusters

Cluster:

- Integrated initiative of a region to enforce branch-specific competencies
- Focus on 2nd-/3rd-tier suppliers
- Trend: suppliers out of different regions
e.g. for:
  - Standardizing
  - Benchmarking
  - Developing modules
  - Auditing
  - Know-how transfer
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Cluster Activities: Examples

To do the right things

The Integrated House

To do the things right

- Joint purchasing
- Pools (e.g. financing/insurance)
- Joint development
- Networking
  - Horizontal (e.g. toolmaking)
  - Vertical (e.g. end-to-end process)
- Know-how-maps
- Web-site
- Internal black board

Universities
OEMs

1st tier suppliers
Clusters

Cooperation

Standardizing
HR-recruiting/development/
Know-how/- skill-transfer
Standardizing
Conclusion:

- It’s a long way to integration!

But:

- It can be done step-by-step!
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Competition vs. Cooperation of Suppliers

The Ideal: networking of companies

Stages

Competitive advantage

Price Competition | Cooperation | Strategic Partnership

Cooperation intensity

Integrator | Strategic Partner
Egoist | Specialist

Competence

low | high

low | high
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Competition vs. Cooperation of Suppliers

The Preconditions:

- Shared vision
- Trust and confidence
- Will to cooperate
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Imperatives for Clusters: Clear Strategy

- Cost-Leader
- Proprietary Product/Process Technology
- Specialist
- Integrating the chain
- Volume
- The Integrator
- Systems Integration
- Value Chain
- Innovation
- Design + Prototyping to Specs
- Zero Defect
- Products/Service
- Preferred Area for Cluster Strategy
- Preferred Area for Cluster Strategy

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Conclusion

- Clear strategy for advantaged position is necessary
- Perfect daily business as basis
- Innovation to get advantaged position
- Different OEM-chains to minimize risks
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5. Conclusions: Opportunities and Tasks

- **Bottlenecks are changing:**
  
  after 2nd World War:
  - Production
  - Markets
  - Financing

- **Growing markets for suppliers, but volatile (e.g. weak $$)**

- **Supplier management needs more**
  - strategic skills
  - controlling skills

- **OEMs need a steady supply chain**
  (good overall performance of suppliers)

- **Large potentials in integrating the supply chain**

- **Large potentials in forming automotive clusters**

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