Automotive Cluster in Germany

- Tasks for SME

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Automotive Cluster in Germany

1. Overview: General Situation and Trends

2. Situation of Suppliers : Spotlights

3. Tasks for Suppliers

4. Tasks for Clusters

5. Conclusions

Automotive Cluster in Germany
1. Overview: General Situation and Trends

market size + changes | fashion | population (e.g. income + demography) | legal + tax requirements (e.g. local content) | ecology + cost of energy | exchange rate

Trends for Suppliers

Innovation/technology

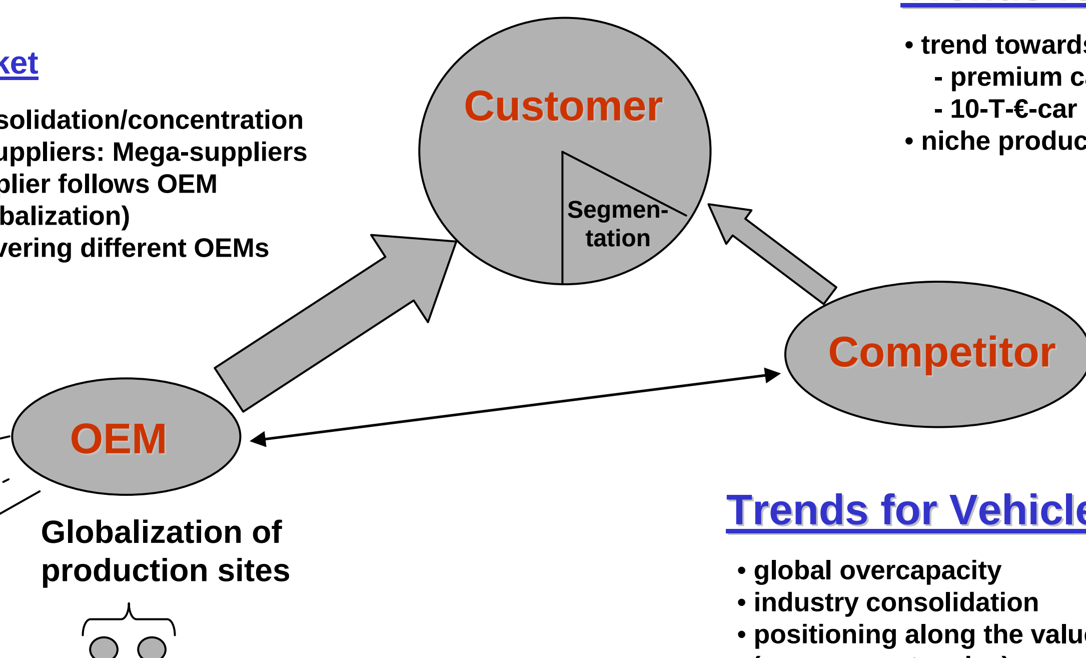
- speed of product development/changes
- shorter life cycle of products
- increasing importance of integration
- cost reduction programs
- standardization & individualization

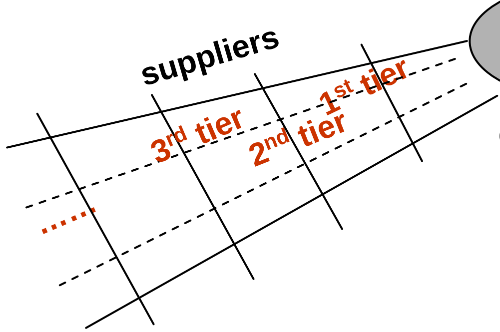
Market

- 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

Markets	Cars	2000	2005	2010	Growth/ 2000/2010
Triad					
Nafta, Western Europe, Japan	**Mio.**	**39,0**	**39,5**	**40,5**	**4 %**
Non-Triad					
Share Eastern Europe	**Mio.**	**2,3**	**3,2**	**4,0**	**74 %**
Share Asia excl. Japan	**Mio.**	**3,5**	**5,0**	**6,3**	**80 %**
Non-Triad Total	**Mio.**	**10,3**	**13,5**	**16,5**	**60 %**
Total Worldwide	**Mio.**	**49,3**	**53,0**	**57,0**	**16 %**

Source: Autofocus

Conclusion:

- ***Non-Triad is main region of growth (relative/absolute)***
- ***Western Europe is problematic market***

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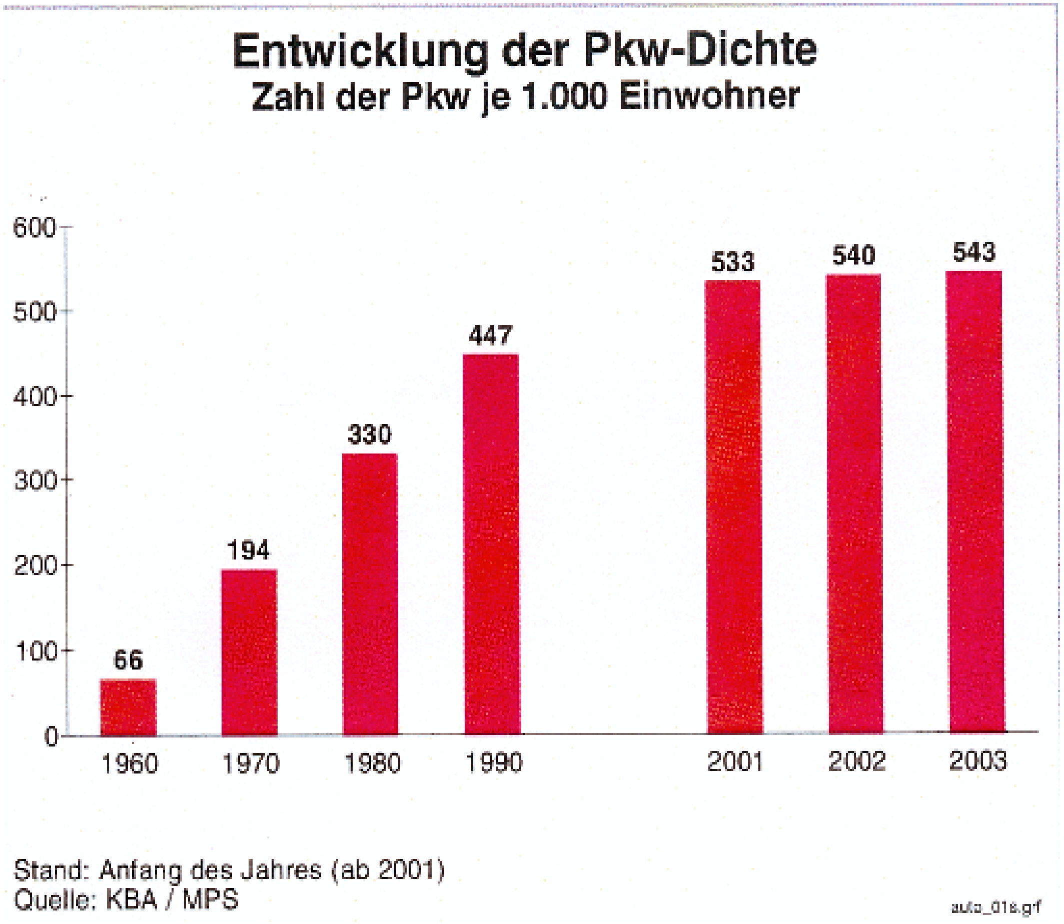
German Market of Passenger Cars/Saturation



Conclusion

- ***Saturation of German Car Market***
- ***Esp. Replacement need***

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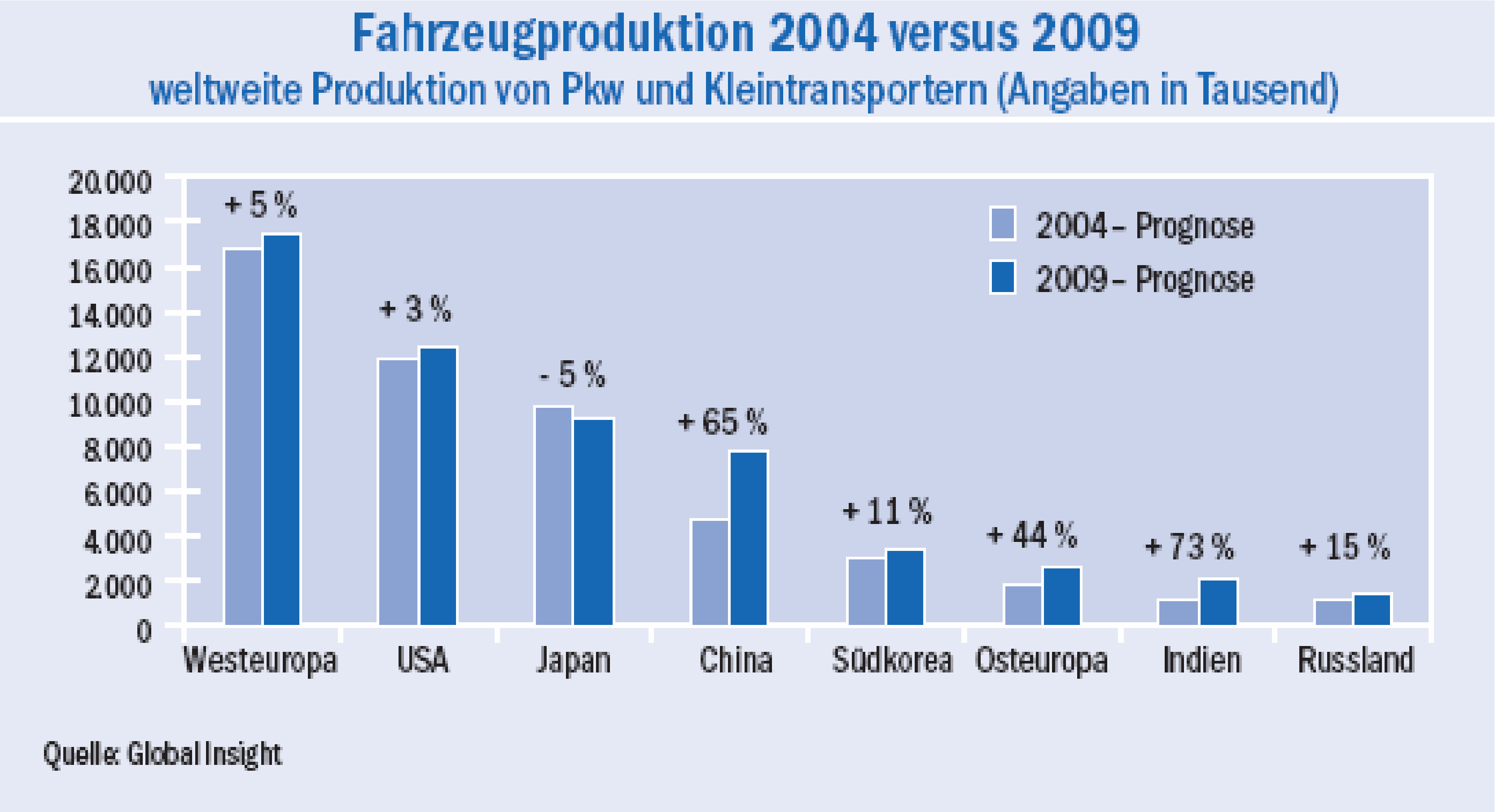
Global Market: Production-Trends



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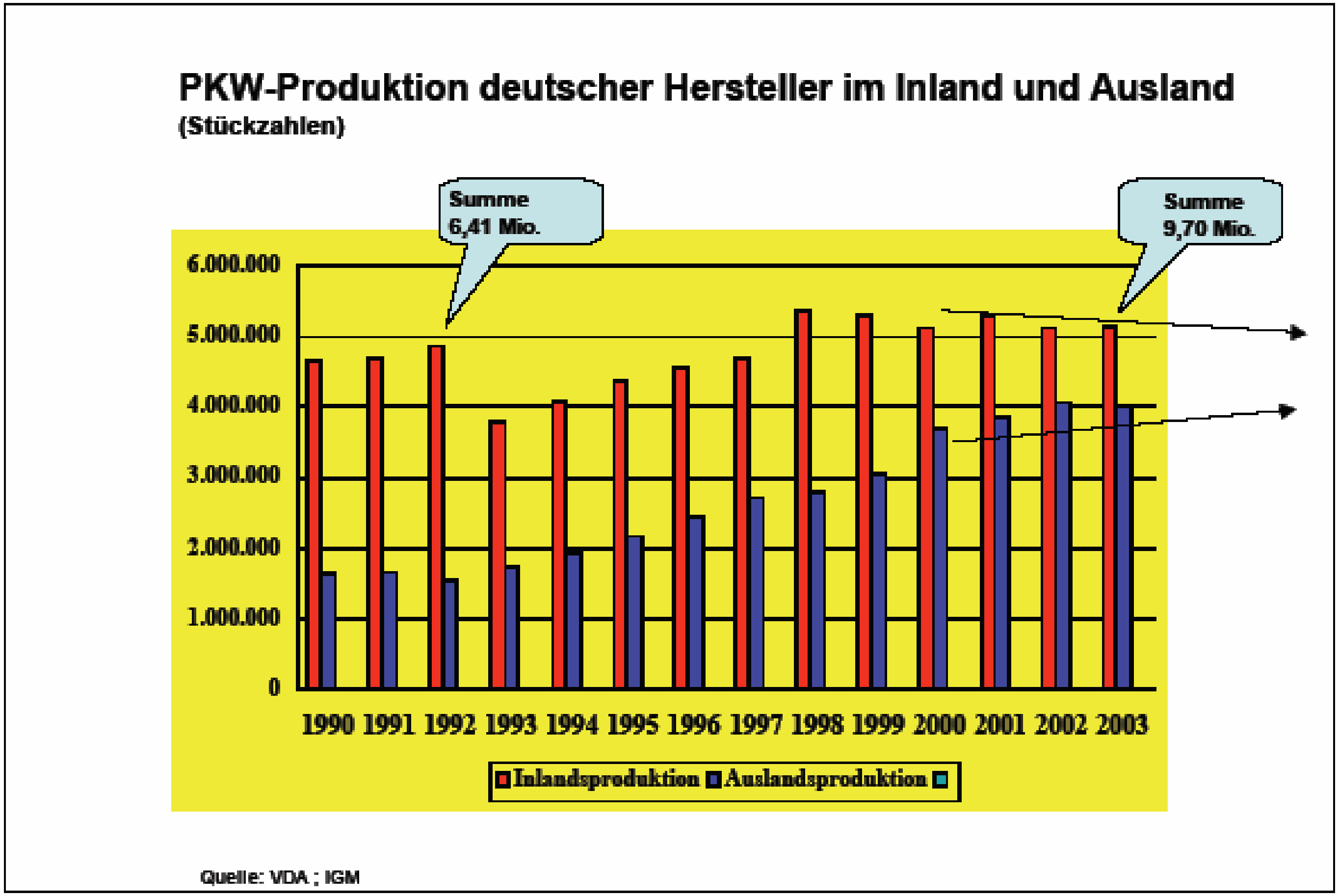
Production of German OEMs



IG Metall, Roth 2004

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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

Threats for suppliers

2004

increasing

continous

decreasing

pulsating

Market

Pre-Financing/Liquidity

Margin Pressure

Break-Even/Flexibility

ROI-Problems

Innovation
Launches
Life Cycle

+ Bottleneck: Equity

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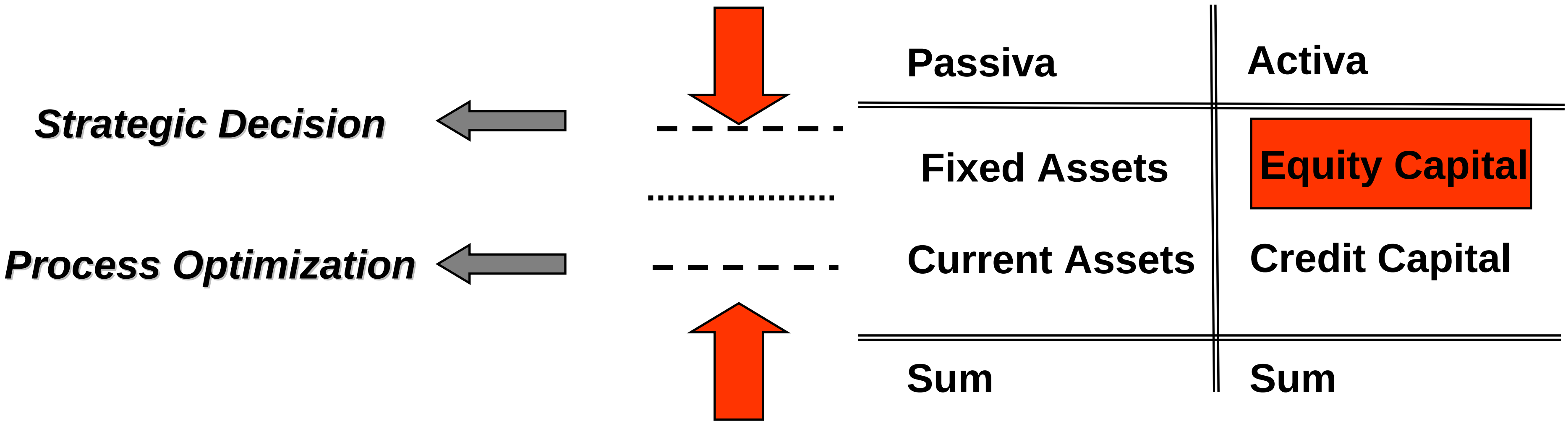
Bottleneck: Equity



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Bottleneck: Equity

Conclusion

- ***Control your bottlenecks !***

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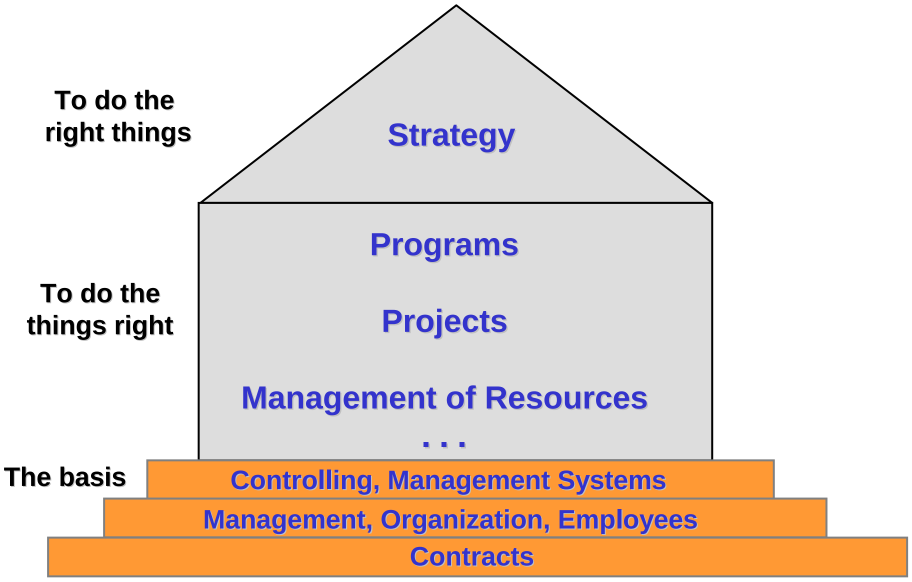
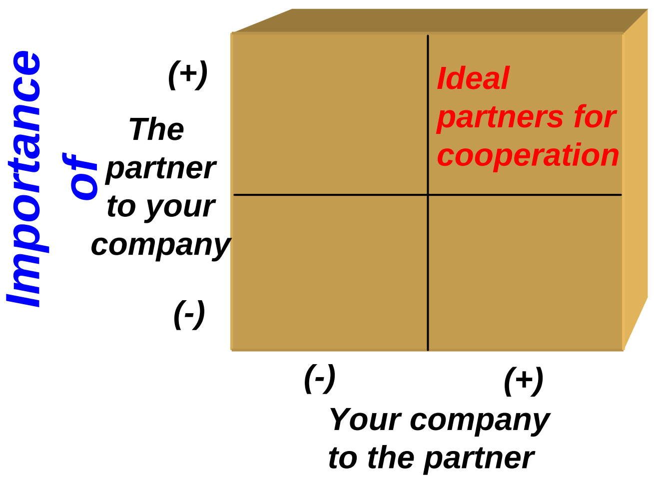
3. Tasks for Suppliers



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 2^{nd}-/3^{rd}-tier suppliers***
- ***Trend: suppliers out of different regions***

  e.g. for:
  - ***Standardizing***
  - ***Benchmarking***
  - ***Developing modules***
  - ***Auditing***
  - ***Know-how transfer***

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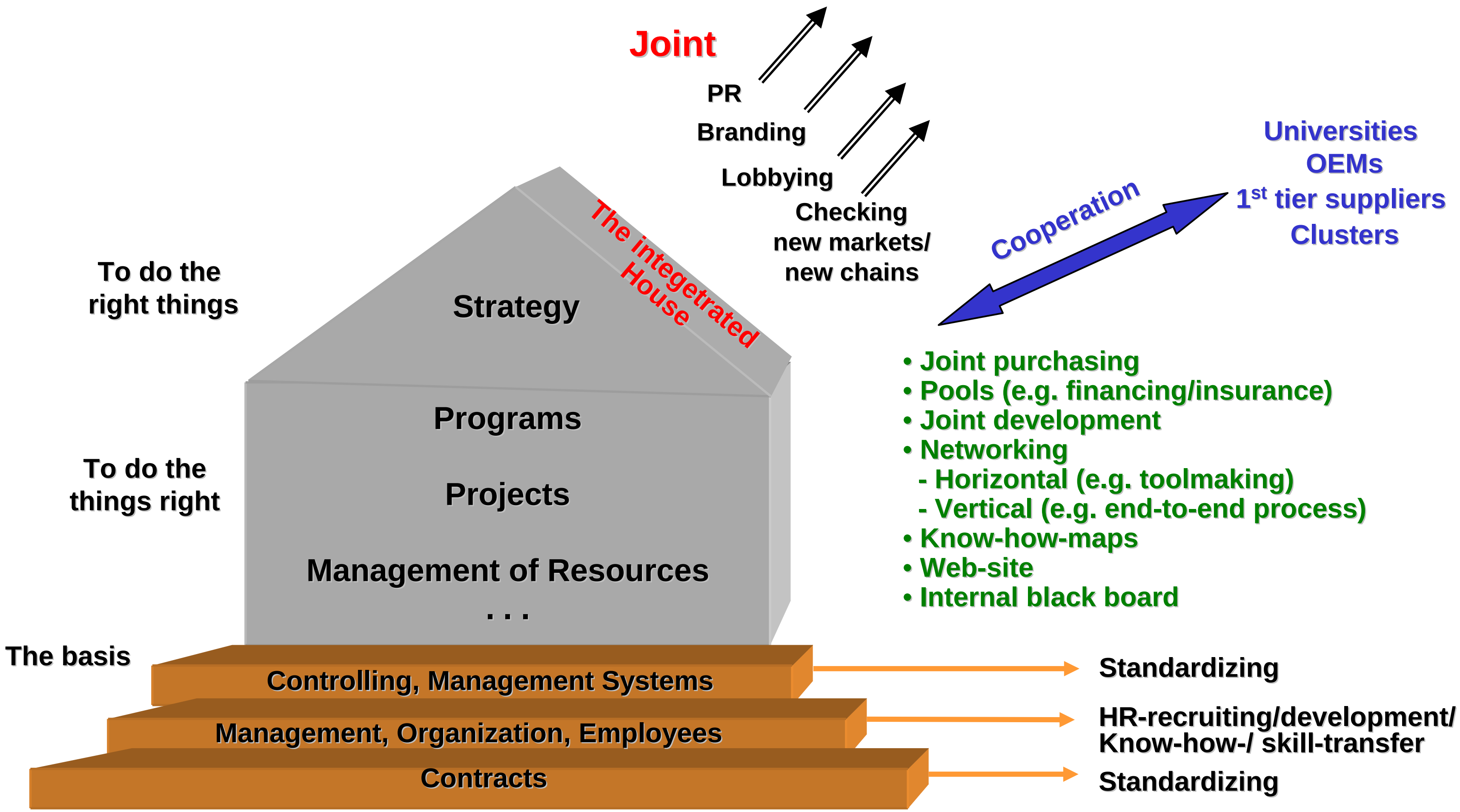
Cluster Activities: Examples



Conclusion:

- ***It‘s a long way to integration !***

But:

- ***It can be done step-by-step !***

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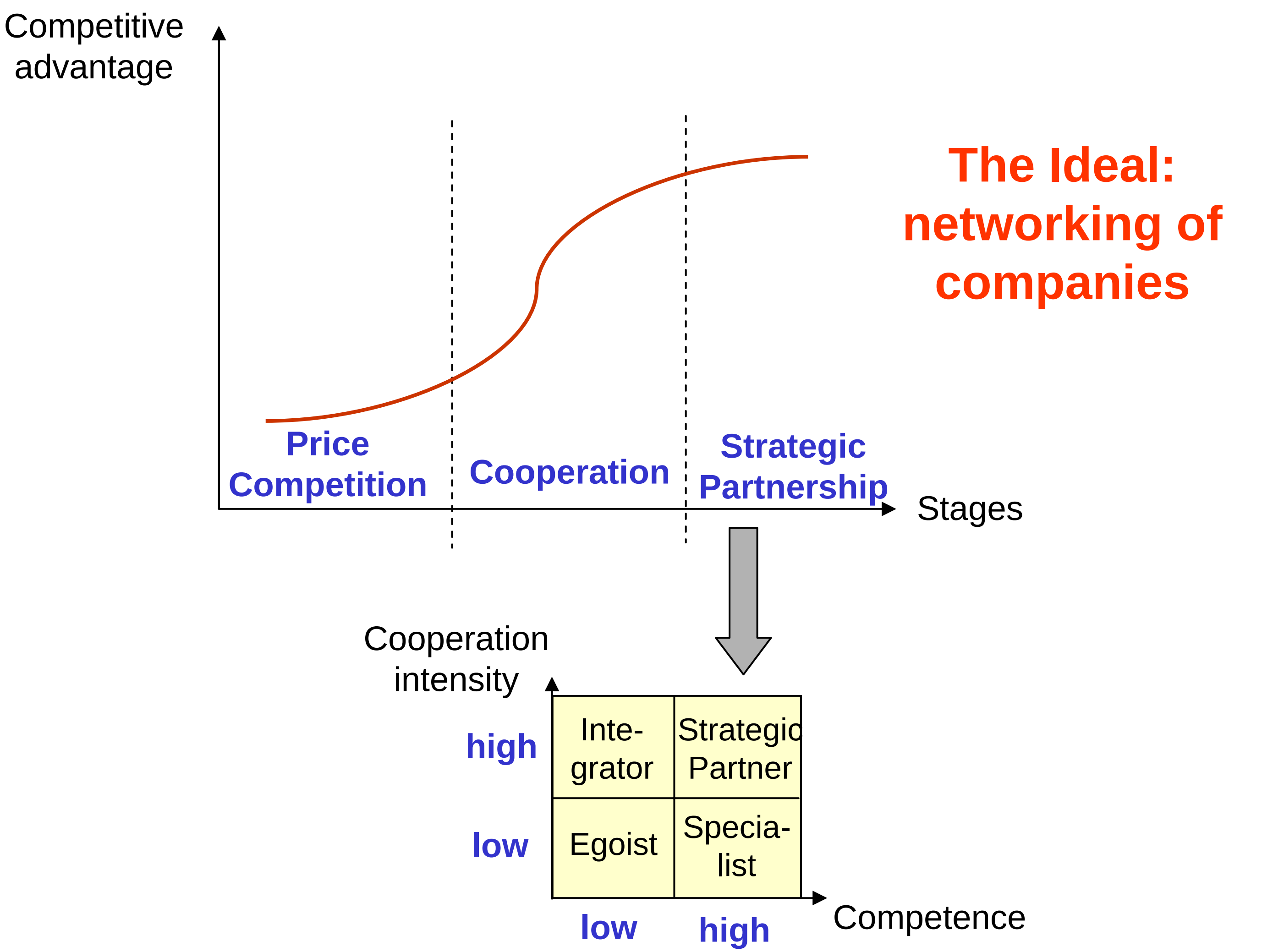
Competition vs. Cooperation of Suppliers



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Competition vs. Cooperation of Suppliers

The Preconditions:

- ***Shared vision***
- ***Trust and confidence***
- ***Will to cooperate***

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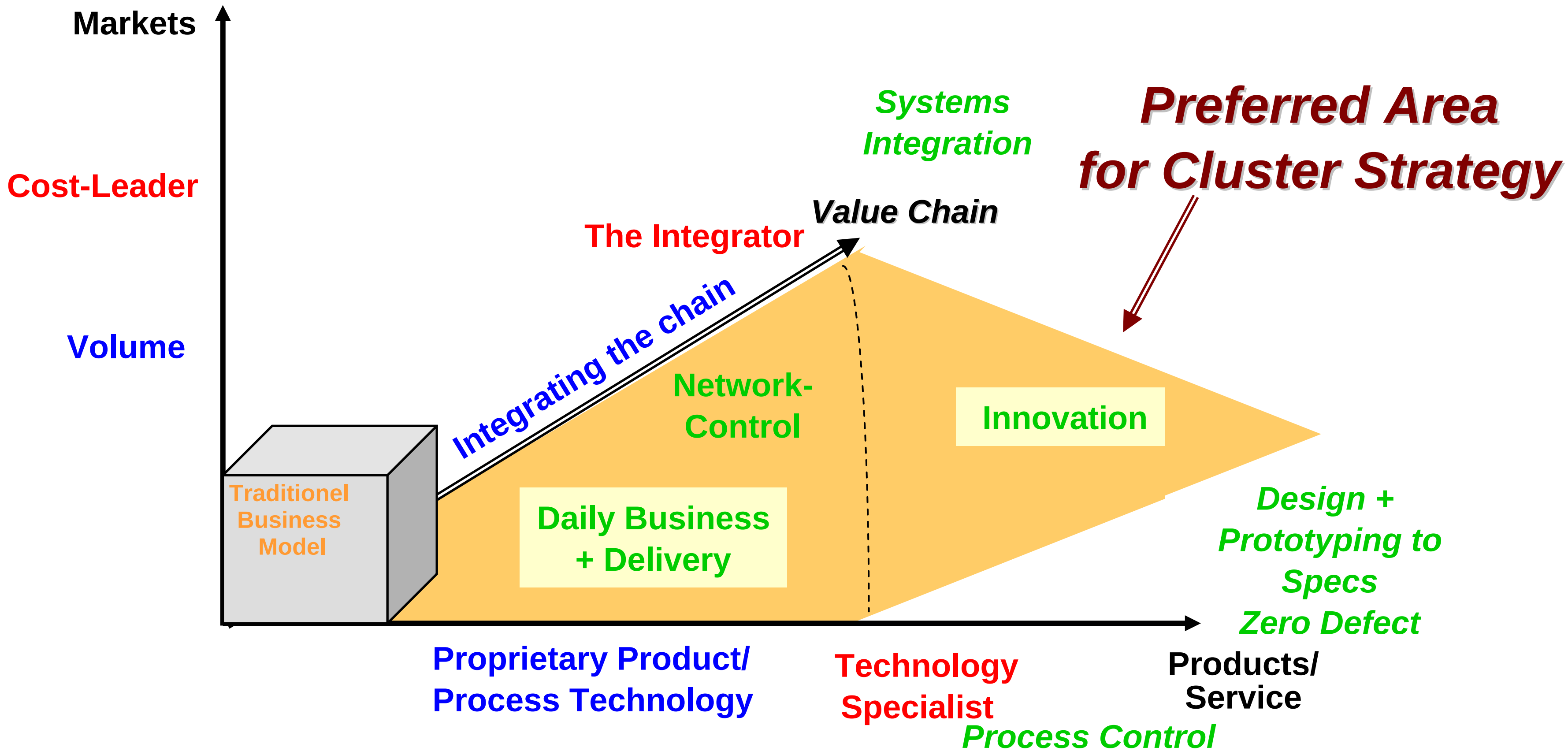
Imperatives for Clusters: Clear Strategy



Imperatives for Clusters: Clear Strategy

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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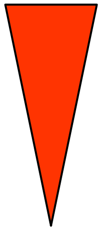
5. Conclusions: Opportunities and Tasks

- ***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***