



Logistics Region Nürnberg

Executive Summary

Final Report November 2008
»Do good and talk about it! «

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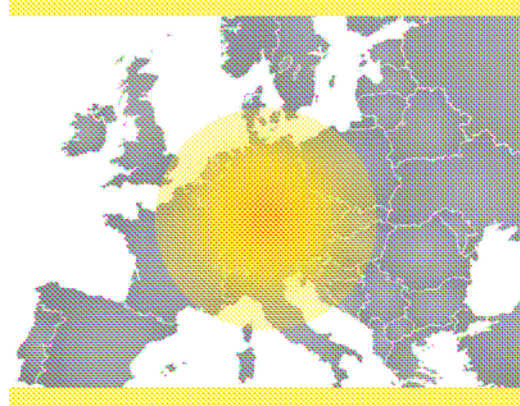


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A study on behalf of the CNA Center for Transportation & Logistics Neuer Adler e.V., the City of Nürnberg, the IHK Nürnberg für Mittelfranken [Nürnberg Chamber of Trade for Central Franconia] and the Hafen Nürnberg-Roth GmbH

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The metropolitan region of Nürnberg provides a great environment for the logistics industry. The development of the logistics sector in Germany and in the Nürnberg region in recent years shows the potential of this economic sector: **The logistics sector provides jobs for 107,000 people** in the metropolitan region, 24,000 of them in the Nürnberg urban area – this is significantly above the German average! Moreover, the excellent Nürnberg logistics sector offers **success-critical support for countless other jobs in the import and export industry**. Nürnberg has a **multimodal traffic infrastructure**, including **connections to the most important national and trans-European traffic routes**, which can be matched by very few other regions in Europe.

The dynamic expansion of logistics competence and capacity is an element that secures future economic development in the metropolitan region!

These are the most important results of the study on the “Logistics region Nürnberg”, which was developed by the Fraunhofer Working Group for Technologies in the Logistics Service Industry ATL.

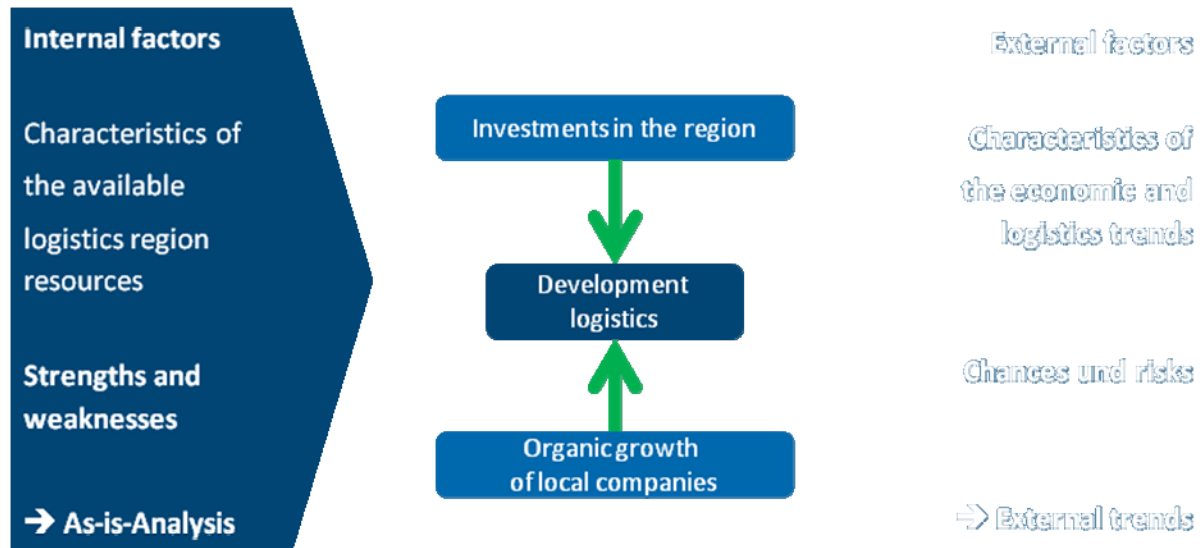
Background and central questions

The work was initiated and financially supported by the CNA Center for Transportation & Logistics Neuer Adler e.V. (as project executing organization), the City of Nürnberg, the IHK Nürnberg für Mittelfranken and the Hafen Nürnberg-Roth GmbH – for the reason that many location and image successes as well as growth impulses for the metropolitan region have already come from the logistics sector. The Fraunhofer ATL, as a scientific partner and contractor, was commissioned to investigate two central questions in the study:

1. Systematic identification and documentation of the current strengths and conditions of the “Logistics region Nürnberg”, and
2. Development of recommendations for a further strengthening of the logistics region and its marketing in the coming years.

Methodical approach

The basic starting point for the study was the identification and assessment of the factors determining the region's attractiveness with regard to logistics investments and job increases. "Internal" site factors as well as "external" conditions of the economical and wider environment were analyzed and assessed in detail, as shown in the following diagram.



The following basic steps were defined for the study:

- **As-is analysis:** In the as-is analysis, all the logistics region factors that have an important impact on the location and staying of companies were analyzed in detail

Goal: Preparation of a catalogue including information, data and facts about the logistics region Nürnberg. Identification of strengths and weaknesses of the logistics offer
- **Trends:** Analysis of the most important trends in the logistics industry as well as of their impact on the logistics region Nürnberg

Goal: Identification of chances and risks
- **Benchmark:** Comparison of the logistics region Nürnberg with other selected logistics regions

Goal: Identification of "best practices" and potential competitors
- **Interviews:** Previously-obtained study results were validated by means of 15 personal interviews with company representatives

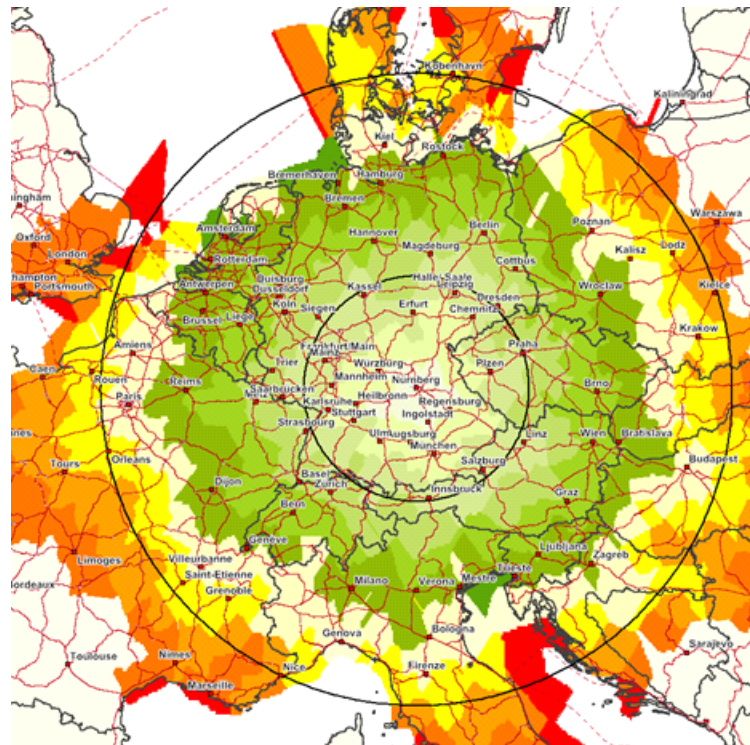
Goal: Identification of the image and public perception of the logistics region Nürnberg

Great environment for the logistics industry – results of the as-is analysis

First of all, the actual situation and the services offered by the logistics region Nürnberg were assessed according to six logistics region factors that have been identified as being critical to success:

1. Location

In view of the Eastern European expansion of the EU and the new production and sales markets that have emerged or are emerging as a result of this expansion, it can be said that the region of Nürnberg is clearly centrally located in the new Europe. The region is strategically and conveniently situated between the top-selling Western European markets and the upcoming production markets in the East. The following map shows the central location within Europe.



Moreover, Nürnberg's location proves to be very convenient with regard to direct distribution channels to the surrounding conurbation. The Nürnberg metropolitan region alone (incl. the tri-city area of Nürnberg, Fürth and Erlangen, as well as the cities of Bamberg and Bayreuth) has approx. 3.5 million inhabitants. Within a radius of 250km around Nürnberg – which is interesting for distribution logistics – almost 40 million people (roughly half the population of Germany) can be reached.

2. Traffic infrastructure

In Nürnberg, four modes of transport meet in one region: The inland port, offering the possibility of transshipment onto rail and road at the very well developed GVZ (*Güterverkehrszentrum*, goods traffic center), is supplemented by the airport situated close to the city, as well as by connections to motorway junctions linking the North-South-axis A9 to the West-East-axes A3 and A6. The close proximity of these traffic infrastructure carriers to each other and their quality are certainly to be regarded as unique selling points of enormous relevance to the logistics region. Here, central trans-European main axes meet on road and rail.

3. Costs

Apart from the one-off fixed investment costs, e.g. for land purchase, companies must also consider the variable running costs (e.g. wages and rents) when selecting a site. As regards these economically crucial decision parameters, the logistics region Nürnberg stands out positively from other Central and Western European metropolises.

4. Logistics performance quality - capacities and competencies

The logistics capacities and qualitative competencies of a region (here summarized as “quality”) have been identified as especially relevant factors when it comes to the selection of a region. In 2007, in the metropolitan region of Nürnberg, more than 107,000 people were directly employed in the logistics sector. This corresponds to approx. nine percent of all employees who are subject to social insurance contributions – which is considerably above the German average of approx. seven percent.

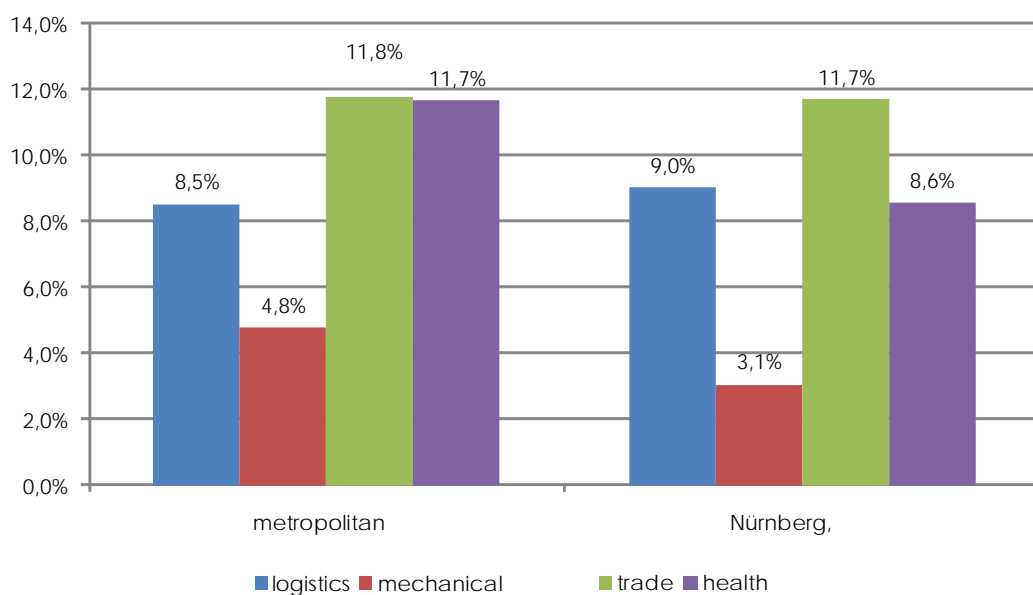
Besides the quantitative analysis of logistics employment, the examination of the logistics-specific research and education landscape also revealed a very positive picture. This landscape can be regarded as the basis of great logistics expertise. Three universities (Nürnberg, Bamberg and Würzburg), six colleges of higher education (Nürnberg, Hof, Ansbach, Coburg, Würzburg-Schweinfurt, Amberg-Weiden) as well as scientific institutions – such as the Fraunhofer Institute – offer great competence in the fields of research, development and education. The organization of Bavarian “Cluster Logistics” is based in Nürnberg.

In the interviews, the regional companies turned out to be very satisfied with the supply of qualified logistics specialists.

5. Relative economic relevance

The relevance of the logistics sector also becomes apparent when we compare the employment figures to other selected economic sectors. The trade sector and the health sector are the largest employers in the metropolitan region, closely followed by the logistics sector with 107,000 employees, as shown in the following figure.

In the city of Nürnberg, with almost 24,000 employees, the logistics sector is even stronger than the health sector.



6. General management conditions

Under the keyword “management”, the logistics region Nürnberg’s “soft” success factors are summarized, e.g. the logistics region image, the organization of the regional logistics network, land management and designation, as well as location management and its support.

The analysis of many city rankings available on the market revealed a very positive overall image for the region of Nürnberg.

However, in order to present a more objective public image of the logistics region, detailed investigations had to be carried out. Therefore, the image as well as the visibility of the logistics region Nürnberg formed integral parts of the interviews that were conducted. The logistics region Nürnberg received good marks throughout. However, what the logistics region Nürnberg lacks is a catchy “branding”. In Nürnberg and its metropolitan region, the logistics sector has not yet been

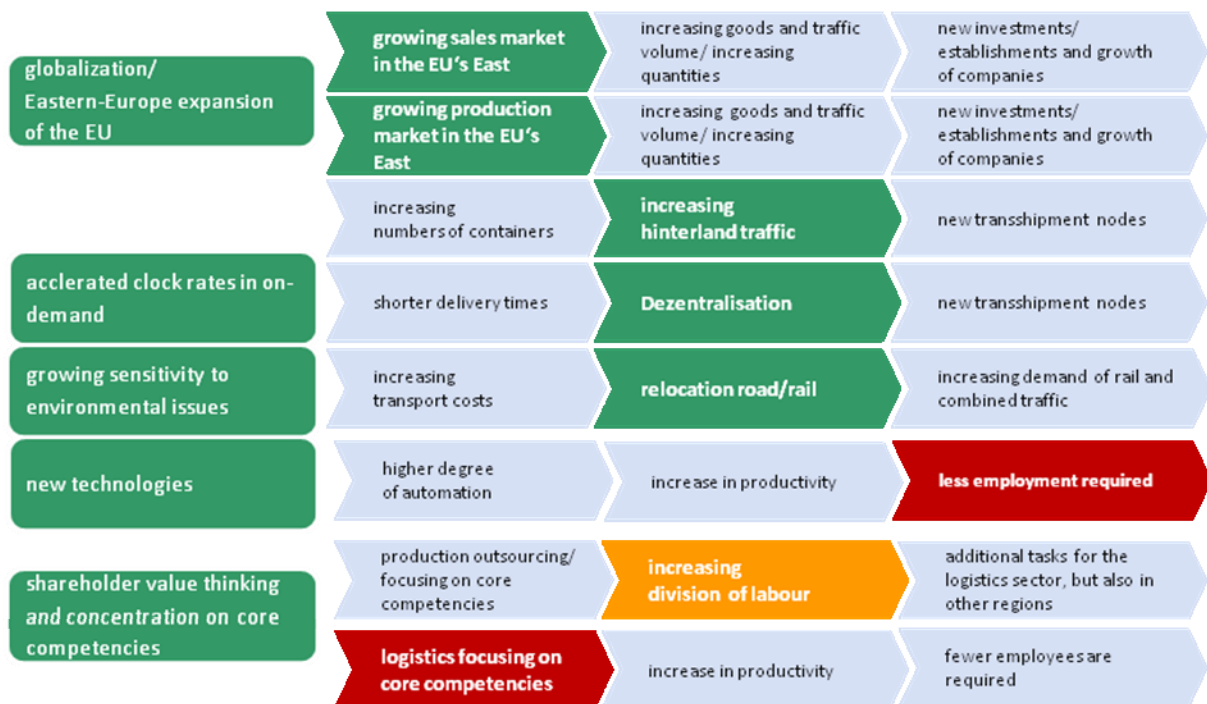
identified as a core sector. And even a simple search for the “Logistics region Nürnberg” on the Internet proves to be hardly satisfactory.

As regards the logistics network, the interviews showed that, if logistics information is required, the enquirer’s own network is frequently contacted, because well-known central information point with demonstrated logistics competence exists. The existing institutions in the area of associations/networks are partly known, but they are believed to have little independent informational competence. The current structure appears to be non-transparent and there are no clearly defined contact persons, “network spiders” or “information distributors”.

As regards the subject of land management and designation, a range of logistics-specific products and transparency are missing. Especially where there are inquiries concerning the availability of larger tracts of land, it becomes increasingly difficult to provide this land within Nürnberg. These inquiries must be forwarded to the surrounding districts in the metropolitan region.

From the as-is analysis to the identification of factors that are critical to future success:
Decisive trends

The following figure summarizes the five factors that have been identified as being particularly critical to the region's future success:



Growing transport distances, an increasing logistics demand for wide-ranging networks, new communications and integration requirements and an increased intensity of competition are the core elements of globalization with direct consequences for the logistics sector. In this context, the **growing sales and production market in the EU's East**, as well as increasing global commodity flows are expected to have a direct impact on the logistics region Nürnberg.

As a result of the increasing global commodity flows, a **further increase of the worldwide container volumes** is also to be expected. The port metropolises, which have so far been entrusted with container handling, suffer from a chronic shortage of space. It therefore happens more and more often that – immediately upon arrival – whole containers are “guided through” to alternative regions. In future, this **hinterland traffic** business will grow and **new hinterland transshipment nodes** will be required. Nürnberg is one of the best-positioned regions with this function, which is already fulfilled – to a considerable extent – by the trimodal Nürnberg GVZ. At best, the containers will not be declared until they reach the site of unloading and the goods will be improved or processed in an “added value-creating way”. Mostly, this hinterland traffic is strongly connected to the rail network, giving the transshipment infrastructure of the Nürnberg GVZ added importance.

Another future consequence of globalization will be the use of **new worldwide transport routes**. The maritime transport-trade route from Asia to Northern and Central Europe through the Suez Canal and the Mediterranean Sea is no longer expected to run around the Iberian Peninsula so often; instead, the shorter **route via the Mediterranean ports, e.g. the Adriatic Sea**, will be used. This trend will become stronger as soon as the infrastructure at the Mediterranean ports has been considerably improved. Then, **Nürnberg can establish itself as Southern transshipment point for the new traffic from the Mediterranean to Central Europe**. Co-operations such as the already existing ones with Verona should be expanded and developed accordingly.

At a “micro level” of observation, also within the metropolitan region, there will be a relocation of logistics activities. Established logistics activities will be relocated from dense urban areas to better accessible areas in the peripheral regions, thus giving rise to new space requirements. These spaces, however, must be attractive and specialize in logistics. As a result of this trend, “multifunctional” logistics property and their usability by third parties will also gain in importance. Here, another decisive factor – apart from structural features – is the property’s region or location. Demand and the chance to sublet will only be good if the region is attractive.

Summary assessment of the strengths and weaknesses of the logistics region Nürnberg

In the “SWOT”-analysis, the Fraunhofer ATL summarized and interpreted the most important insights gained from the as-is survey and trend analyses performed on the region of Nürnberg.

Strengths	Weaknesses
<ul style="list-style-type: none"> - Traffic and logistics (Motorway junction, inland port, intercity rail traffic > multimodality) - Location: close proximity to Eastern European markets, integration in the trans-European networks (TEN) - Gateway/HUB/turntable function 	<ul style="list-style-type: none"> - Lack of brand „logistics region Nürnberg“ - No large logistics service provider with headquarters in region - Intransparency logistics network/contact persons - No comprehensive marketing of spaces
Chances	Risks
<ul style="list-style-type: none"> - Growth of combined traffic - Eastern European expansion of the (EU) (production and sales market) - Increasing Hinterland - Relocation road/rail - New region strategies 	<ul style="list-style-type: none"> - Relocation of companies toward the East - Labour supply in the logistics - Increasing competition between logistics regions - New region strategies

Greater competition between different regions in the logistics sector – Results of the comparative analysis

As a national and international logistics region, Nürnberg competes and cooperates with other regions. As part of the present study, a comparative analysis between a total of ten logistics regions was carried out. Six regions (Munich, Kassel/Bad Hersfeld, Leipzig, Hanover, Duisburg and Berlin) inside and four regions (Linz, Pilsen, Verona and Liège) outside Germany.

On the one hand, the aim of the analysis was to develop specific profiles of these logistics regions. On the other hand, based on these profiles, the unique selling points with regard to the supply of logistics resources as well as the marketing and organization of these logistics regions were described and assessed.

As regards the structural comparison between the regions, the regions of Leipzig and Munich in particular – which are both orientated towards the East/South-East – must be considered (potential) competitors. With other benchmarking regions (Verona, Liège, Linz, Duisburg), co-operations have partly already been established or are, at least, conceivable. In the authors’ view, Duisburg – above all – serves for orientation purposes, e.g. with respect to marketing. Apart from drawing a structural comparison, the “visibility” and the marketing of the respective logistics regions were also examined. It was found that the region of Munich does not perform any marketing activities in the logistics field and that the logistics sector is not a core industry in this region – even though the region is quite popular as a logistics region. The example of Kassel/Bad Hersfeld shows that the logistics sector is a regional core industry here and that it is also intensely advertised. The example of Leipzig shows that – even though the logistics industry is a core industry here – little marketing has been done for the

logistics sector so far. Nevertheless, the logistics region Leipzig attracted enormous attention from the media when DHL was relocated there.

The comparison shows that the economic attractiveness of some regions is enough to attract the establishment of logistics companies. In other regions, active marketing with a specific focus on the logistics sector is required to convince companies.

Confirmation of the results: Interviews with companies prove the region's great attractiveness

During the study, 15 companies were questioned in personal interviews. In order to gain a comprehensive picture, companies from inside as well as outside the region were questioned. Apart from company representatives from the logistics service sector, company representatives from trade and industry as well as investors and project developers were also interviewed. Unsurprisingly, most interviewees mentioned the location and traffic infrastructure as decisive factors for the selection of a region. However, the availability of labor and the access to high-performance regional logistics service providers (above all for the shipping industry) were also mentioned as important factors. Low costs (space and wages) and a strong regional economic power (above all for logistics service providers) are other important characteristics.

With regard to nearly all factors, the region of Nürnberg is assessed as suitable, though not outstanding – with the exception of the traffic infrastructure, which – also thanks to the GVZ's multimodality – is often considered to be very attractive.

Most companies are not aware of the brand "Logistics region Nürnberg". Moreover, there is no competent central point of reference for the logistics sector.

Do good and talk about it –

Conclusion and most important recommendations

The study revealed that Nürnberg is a "logistics all-rounder" for the establishment of logistics companies and that the city is a suitable candidate for nearly all forms of establishment and motivation. At first this may seem to be only positive. It also means, however, that – so far – the region lacks a clear unique selling point and thus clarity of profile. Certainly, this does not apply to the GVZ, which is extremely well known nationwide. However, the designation of land must not only be focused on this area, since the available spaces in the port area are also limited. Attractive alternative regions should be developed and marketed in order to be able – as a logistics region – to provide adequate **spaces**. In the long run, the already **good traffic infrastructure must be massively expanded** to be able to process the growing quantities of goods without trouble – also in the future. In the future, the provision of available and **well-trained labor** in the logistics sector will be of equal importance. Many other logistics regions already suffer from a serious shortage of logistics specialists.

In the future, it will be important to bundle and further extend the logistics network internally and to increase the visibility of the logistics region Nürnberg externally. In order to ensure a positive development, the formulation and marketing of an "umbrella brand" and the establishment of a competent contact partner for the logistics region would certainly be helpful.

State of affairs 11 Feb 2009