TRENDS IN THE STORAGE SPACE AND LOGISTICS SERVICES MARKETS

PMR Consulting & Research Report
AGENDA

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METHODOLOGY AND SUMMARY
ABOUT THE SURVEY

PURPOSE OF THE SURVEY

▪ The main objective PMR Consulting & Research’s survey was to identify key trends in the Polish logistics services market and what is, therefore, required of the logistics storage space sector.

▪ Aims of the survey:
  ▪ Identification of key trends in the logistics services market
  ▪ Identification of the needs of companies in Poland in terms of logistics services
  ▪ Identification of key requirements for storage space.

METHODOLOGY

▪ Interviews were conducted using CATI (computer-assisted telephone interview). The average duration of each survey was 20 minutes.

▪ The survey was carried out between October 12 and October 30, 2017.

RECRUITMENT CRITERIA

▪ The survey was conducted among large companies using logistics and/or storage services in Poland.

▪ The study included companies that met the following criteria:
  ▪ Number of employees over 250
  ▪ Minimum annual turnover of PLN 150 million.

▪ Respondents included managers of logistics departments and staff assigned to take part in the logistics survey (almost 80% of them were senior staff).

METHODOLOGICAL REMARK

Due to rounding, data on some charts and in some tables may not add up to 100%. In some questions the respondents were able to select more than one answer, and therefore the graphs showing the sum of percentages exceed 100%. The answers "I do not know/hard to say" and refusals to answer were not included.
KEY FACTS

▪ Among the surveyed companies 57% use external logistics services and 89% use storage facilities.
▪ 55% of the surveyed companies use storage space (rented by themselves or by a logistic operator).
▪ 80% of companies use over 3,000 sqm of storage space.

LEVEL OF USE AND SATISFACTION FROM SUPPLIER SERVICES

▪ Most of the surveyed companies that use external logistics services (55%) have used their current logistics services supplier for more than 5 years.
▪ Meeting deadlines, minimising damage to goods and providing professional customer service are key factors in choosing a logistic service provider. 6 out of 10 companies are satisfied with the services of their existing suppliers, with an average level of satisfaction of 4.05 (on a 1-5 scale).
▪ 35% of the surveyed companies expect to increase their use of external logistic services in the next 2-3 years.

INVESTMENT PLANS

▪ 54% of the surveyed companies expect to expand their use of storage or production space.
▪ 45% of the surveyed companies plan to invest in storage and/or production facilities.
▪ 84% of surveyed companies rate Poland as a good location for their logistics centre. Favourable geographical location, dynamic development of road and railway infrastructure, rental costs and the availability of experienced specialists are key benefits of Poland according to the surveyed companies.
TRENDS

The key trends identified by respondents are:

- automation of logistics processes (59% of surveyed companies identified this trend),
- IT systems development (49% of respondents),
- e-commerce development (46% of respondents).

Most of the surveyed companies are optimistic about the prospects for development over the next few years. 84% predict an increase in the number of orders, 61% the development of distribution outside Poland, 61% that the number of employees will increase, and 59% the growth of distribution across Poland.

STORAGE SPACE MARKET CONTEXT

- Q3 2017 SAW a record level of new logistics space supply – 980,000 sqm, delivered in 29 projects in Poland.
- Take up in the main storage space markets remained at a very high level throughout the year – 723,000 sqm in Q3 alone and 2.2 million sqm in the first nine months of the year.
- As a result, the total storage space market inventory increased to 12.86 million sqm. (+ 18% on the previous year). At the same time, more than 1.05 million sqm is under construction and the vacancy rate remains at a record low of 5.04% (approximately 700,000 sqm).

USE OF STORAGE SPACE AND LOGISTIC SERVICES
89% OF SURVEYED COMPANIES USE STORAGE FACILITIES

Does your company currently use storage facilities?

IN TOTAL 89%
≤500 94%
500+ 84%

Source: PMR analysis, CATI interviews with 828 clients, n=106.
57% OF SURVEYED COMPANIES USE EXTERNAL LOGISTICS SERVICES

Does your company currently use external logistics services?

- IN TOTAL: 57%
- ≤500: 51%
- 500+: 61%

Source: PMR analysis, CATI interviews with B2B clients, n=106.
80% OF SURVEYED COMPANIES USE STORAGE SPACE OF MORE THAN 3,000 SQM

What is the total size of storage space used by your company?

80% of companies use storage space of more than 3,000 sqm

Source: PMR analysis, CATI interviews with B2B clients, n=84.
55% OF COMPANIES USE RENTED STORAGE SPACE

Does your company use storage space rented in its own right or/and storage space rented by the operator?

55% of companies use storage space rented on their own or/and rented by the operator

Source: PMR analysis, CATI interviews with 828 clients, n=80
8 OUT OF 10 COMPANIES USE MODERN STORAGE FACILITIES

Does your company use modern storage facilities?

Yes, we use modern storage facility: 79%

No, we don’t use modern storage facilities: 21%

By modern storage facility we understand facilities built after year 2000, with height of at least 8 m high, with its own heating and access through loading docks.

Source: PMR analysis, CATI interviews with B2B clients, n=90
### TRANSPORT AND SHIPPING ARE THE MOST COMMONLY USED LOGISTICS SERVICES

Does your company use the following logistics services?

<table>
<thead>
<tr>
<th>Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Transport and shipping</td>
<td>97%</td>
</tr>
<tr>
<td>Storage</td>
<td>75%</td>
</tr>
<tr>
<td>Packaging, palletising, labeling</td>
<td>45%</td>
</tr>
<tr>
<td>IT system implementation and servicing</td>
<td>43%</td>
</tr>
<tr>
<td>Return logistics and post-sales</td>
<td>32%</td>
</tr>
<tr>
<td>Quality control</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: PMR analysis, CATI interviews with 828 clients, multiple choice question, n=90.
35% of the surveyed companies expect to increase the use of logistics services

Does your company plan to increase, decrease or leave the level of external logistics services unchanged in the next 3 years?

Increase: 35%
Decrease: 17%
Leave unchanged: 48%

Which of the following services do you plan to increase over the next 3 years?

- Storage: 65%
- Return logistics: 24%
- Packaging, palletising, labeling: 24%
- IT systems supporting logistic processes: 18%
- Quality control: 12%

Source: PMR analysis, CATI interviews with B2B clients, n=52 The data on the right hand graph does not add up to 100% as respondents could indicate more than one answer.
INVESTMENT PLANS OF THE SURVEYED COMPANIES
84% of surveyed companies rate Poland as a good logistics location.

How do you assess choosing Poland as logistics centre and/or manufacturing locations for your company?

- Positively: 84%
- Neutrally: 14%
- Negatively: 2%

Source: PMR analysis, CATI interviews with 828 clients, n=94.
54% OF SURVEYED COMPANIES DECLARE EXPECT TO EXTEND THEIR STORAGE OR PRODUCTION SPACE

Do you plan to extend your storage and/or production space?

- Yes: 54%
- No: 46%

By how much do you plan to extend your storage and/or production space?

**STORAGE SPACE**
- Up to 3k sqm: 40%
- 3-10k sqm: 28%
- More than 10k sqm: 32%

**PRODUCTION SPACE**
- Up to 3k sqm: 43%
- 3-10k sqm: 43%
- More than 10k sqm: 14%

Source: PMR analysis, CATI interviews with B2B clients, n=79
45% of the surveyed companies plan to invest in storage space and/or production facilities.

In the next 3 years, does the company intend to build and/or rent a storage and/or production facility in Poland?

How many facilities does your company plan to build or rent in the next 3 years?

- 1 storage and/or production facility: 14%
- At least 2 storages and or production facilities: 17%
- Hard to say: 14%

Source: PMR analysis, CATI interviews with B2B clients n=80.
# AVAILABILITY OF STAFF AND THE STATE OF THE INFRASTRUCTURE ARE KEY FACTORS IN CHOOSING LOCATION

How many of the following factors are important when deciding on the location of production plants and storage facilities in Poland?

<table>
<thead>
<tr>
<th>TOP 3 MOST IMPORTANT FACTORS</th>
<th>OTHER FACTORS</th>
</tr>
</thead>
<tbody>
<tr>
<td>LABOR COSTS / AVAILABILITY OF EMPLOYEES 4.20</td>
<td>Attractive prices of logistic services 3.85</td>
</tr>
<tr>
<td>THE CONDITION OF TRANSPORT INFRASTRUCTURE 4.07</td>
<td>Favorable legal and regulatory environment 3.82</td>
</tr>
<tr>
<td>CONDITION OF STORAGE INFRASTRUCTURE 4.03</td>
<td>Proximity of the existing customer base 3.76</td>
</tr>
</tbody>
</table>

Attractive prices of logistic services 3.85
Favorable legal and regulatory environment 3.82
Proximity of the existing customer base 3.76
Potential of the domestic market 3.64
Encouragement from the authorities 3.55
Range of logistic companies 3.51

Source: PMR analysis CATI interviews with B2B clients, n=94. Respondents assessed the indicated factors on a scale of 1-5.
NEW FACILITIES IN POLAND WILL SUPPLY EUROPEAN MARKETS

Which markets will be supplied by your new storage facilities and production plants?

- **Poland**
  - 94%

- **Central and Eastern Europe** (Czech Republic, Hungary, Slovakia, Romania, Bulgaria, Baltic countries)
  - 42%

- **Western Europe** (France, Italy, Germany, Spain)
  - 39%

- **Eastern Europe** (Ukraine, Belarus, Russia)
  - 26%

- **Scandinavian markets** (Denmark, Sweden, Norway, Finland)
  - 23%

Source: PMR analysis, CATI interviews with B2B clients, n=29 Data do not add up to 100% as respondents could indicate more than one answer.
DECISIVE FACTORS IN THE SELECTION OF LOGISTICS SERVICE PROVIDERS AND SATISFACTION LEVELS
MOST OF THE SURVEYED COMPANIES HAVE USED THEIR LOGISTICS SERVICES SUPPLIERS FOR MORE THAN 5 YEARS

How long have you been using the services of your current logistics provider?

IN TOTAL
- 55% 5 years and longer
- 22% 3-4 years
- 18% 1-2 years
- 5% Less than 1 year

BELOW 500 EMPLOYEES
- 54% 5 years and longer
- 17% 3-4 years
- 17% 1-2 years
- 13% Less than 1 year

OVER 500 EMPLOYEES
- 60% 5 years and longer
- 20% 3-4 years
- 20% 1-2 years

Source: PMR analysis, CATI interviews with B2B clients, n=56 (in total), min. n=24 depending on company’s size.
MEETING DEADLINES, MINIMAL DAMAGE TO GOODS, INNOVATION AND ASSEMBLING ACCURACY ARE THE KEY FACTORS IN CHOOSING A SUPPLIER

To what extent are the following factors important when selecting a provider of logistics services?

**TOP 3 MOST IMPORTANT FACTORS**

- MEETING DEADLINES: 4.88
- MINIMAL DAMAGE TO GOODS: 4.80
- CUSTOMER SERVICE: 4.62

**OTHER FACTORS**

- Assembly accuracy: 4.53
- Flexibility: 4.47
- Price of services: 4.35
- Efficient IT systems: 4.23
- Complexity of services: 4.18
- Personal contacts: 4.02
- Innovative services: 3.75
- The reputation of the supplier: 3.65

Source: PMR analysis, CATI interviews with B2B clients, n=94. Respondents rated the factors on the 1-5 scale.
84% OF COMPANIES VALUE THE SERVICES OF THEIR CURRENT LOGISTICS OPERATOR

How do you assess the level of services provided by your current logistics provider?

- Very positively: 22%
- Fairly positively: 62%
- Neutral: 12%
- Fairly negatively: 2%
- Very negatively: 2%

Average score: 4.05

Source: PMR analysis, CATI interviews with B2B clients, n=60.
TRENDS IN THE LOGISTICS SERVICES MARKET
AUTOMATION OF LOGISTICS PROCESSES AND DEVELOPMENT OF IT SYSTEMS ARE THE MOST FREQUENTLY IDENTIFIED TRENDS IN THE LOGISTICS SERVICES MARKET

Which of the following trends will be most visible in next 2-3 years?

- Automation of processes: 58%
- Development of IT systems: 49%
- Development of e-commerce: 46%
- Small storage units located near city centers: 32%
- Pressure of proximity of the end customer: 14%
- Increasing number of returns: 9%

Source: PMR analysis, CATI interviews with B2B clients, min. n=93.
84% of the surveyed companies expect an increase in orders in the next 2-3 years.

How will the company’s business prospects change on the Polish market in the next 2-3 years?

84% increase in orders

61% increase in employees

Source: PMR analysis, CATI interviews with B2B clients, min. n=85.
59% OF COMPANIES PLAN TO DEVELOP DISTRIBUTION SYSTEMS OUTSIDE POLAND

How in your opinion will the situation of the company change on the Polish market in next 2-3 years?

Source: PMR analysis, CATI interviews with B2B clients, min. n=85.