MUNICH STRATEGY
part of Ducker Carlisle

WINNING AGAINST LOW-COST COMPETITION

How Europe's machinery and plant engineering sector can strategically compete with Asia

Munich, May 2026

INTRODUCTION

Global growth is shifting toward Asia, Chinese players are catching up technologically at speed, and structural cost advantages of local competitors meet Europe's high complexity and cost base. Rarely has competitive pressure on European machinery and plant engineering businesses been this intense.

Staying successful in this environment requires more than isolated measures. The key is a clear strategic choice: defend the premium position or attack the mid-range segment. The latter does not imply abandoning an existing premium position. Both paths offer opportunities, and both carry risks. Experience shows that long-term success depends on disciplined execution across market positioning, value proposition and operating model, as well as on the company's ability to deliver.

Against this backdrop, we examine **which options European machinery and plant engineering companies have, to build sustainable competitiveness, and which response patterns and success factors matter most.** Specifically, this white paper addresses the following topics:

- **Initial situation:** How does rising competitive pressure manifest, and which factors drive or reinforce it?
- **Strategic options & response patterns:** Which strategic responses are on the table for European manufacturers?
- **Advantages:** What structural advantages does the European industry have when it comes to strategic responses?
- **Risks:** What risks do these strategic options entail for European manufacturers?
- **Success factors:** Which topics are essential for successful execution and sustainable positioning in the competitive landscape?
- **Decision criteria:** Which strategic questions and indicative classifications support the choice of a strategic option?

Our insights are based on dedicated discussions with industry decision-makers as well as numerous strategy and transformation projects.

We hope this strategic assessment provides valuable impulses for the debate on the long-term competitiveness of Europe's machinery manufacturers, and we wish you an insightful read.

Yours sincerely,

Matthias Riemann

Melissa Motyka

Ansgar Breuer

Vinny Huang

KEY FINDINGS

Initial situation

European machinery and plant engineering businesses are increasingly under pressure on two fronts: in Asia they are losing volume to local players, while Asian competitors are also attacking European home markets. Key drivers include demand shifting, technological catch-up, cost advantages and industrial policy.

Strategic options & response patterns

Two core strategic paths are available. First, **defend the existing premium position** through clear differentiation and the expansion of innovation, integration and services. Second, **directly challenge Asian competition by adding "good-enough" offerings** in the mid-range, building local value creation and leveraging strong partner and sales networks.

Advantages of European businesses by strategic path

In the premium segment, European machinery and plant engineering companies benefit from deep application expertise, a broad installed base and established brand trust. Entering the mid-range can be accelerated by existing technology capabilities, strong quality perception and extensive customer access.

Risks for European businesses by strategic path

The premium strategy turns into a "premium trap" when complexity and costs rise disproportionately relative to achieved differentiation and market demand. Mid-range entry carries risks of brand cannibalization, cultural change requirements and the protection of technological know-how.

Success factors by strategic path

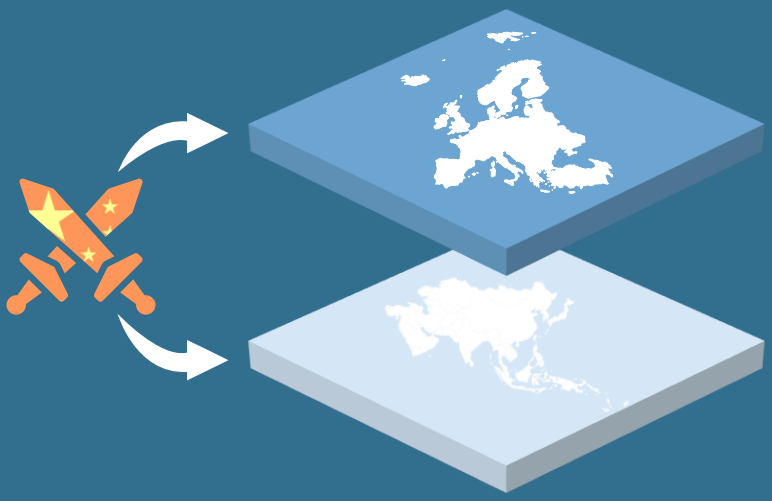
Depending on the chosen path, a few success factors are critical. For premium, these include provable customer value, innovation and integration strength, and full utilization of the installed base potential. In the mid-range, the focus is on cost parity, standardization, local accountability and partnerships.

Decision criteria by strategic path

The strategy choice follows a set of guiding questions: Where are the profit pools, how intense is competition, how defensible is the current position, and how realistic is a shift regarding cost parity, localization and organizational separation without cannibalization?

1) Die Strategie „Offense" bedingt KEINE Aufgabe bestehender Premiumposition.

European machinery and plant engineering businesses must defend their competitiveness on two fronts today – Asia and home markets.



Asian competitors are increasingly **attacking the European home turf.**

Asian markets are increasingly slipping away as stronger local competitors gain ground.

Shifting demand toward Asia

Driven by population and income growth as well as industrialization, investment activity is increasingly shifting outside Europe, where new capacity and projects are being built. Local players are closer to customers and tailor offering, pricing and service to local requirements.

Technological progress

Asian suppliers are rapidly professionalizing their capabilities in engineering, software and systems integration, closing quality and functionality gaps. As a result, "good-enough" offerings increasingly meet industrial requirements.

Cost and supply chain advantages

Dense supplier ecosystems, local sourcing, scale effects and often more favorable production conditions reduce Asian competitors' cost base. This enables aggressive pricing at acceptable quality – especially in fast-growing, high-volume mid-market segments.

Industry policy asymmetries

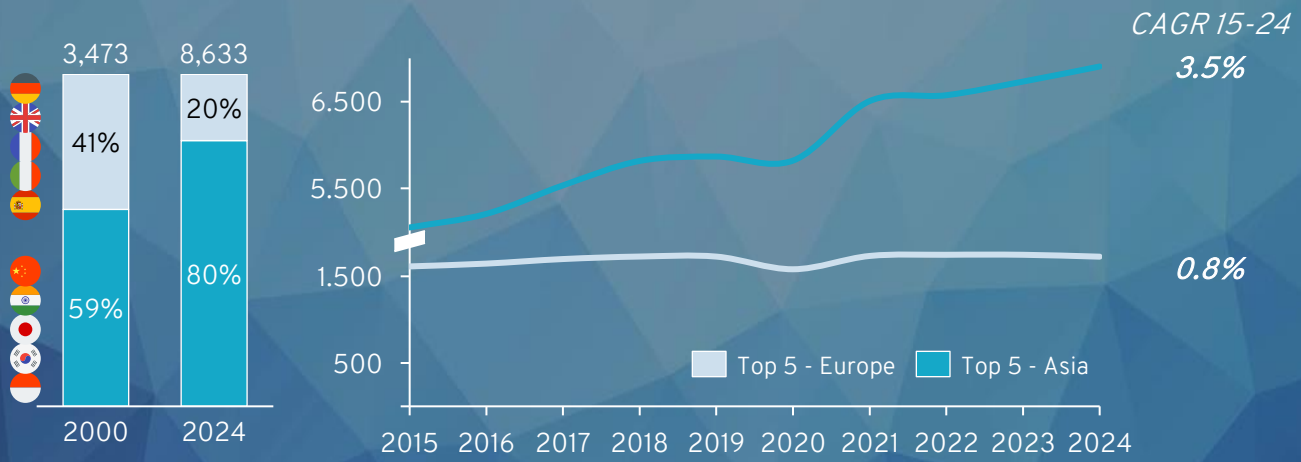
Subsidies, state-backed demand, local standards and in some cases asymmetric market access favor domestic players. This strengthens them in their home markets and supports international expansion, while European firms often operate under more restrictive conditions.

European transformation frictions

European machinery and plant engineering firms often remain anchored in legacy portfolios and organizational models. Complexity, longer decision cycles and cautious capital reallocation toward digitalization, services and new platforms slow adaptation, reduce speed and raise costs.

Demand is shifting to Asia – and with it, technological leadership.

Gross Value Added in the Leading Economies: Ratios and Trends
in USD billion (2015)



Percentage of surveyed German mechanical engineering companies that view Chinese competitors as current or future innovation leaders
German Chambers of Commerce Abroad - Business Confidence Survey

The market of the future lies outside Europe

A comparison of market development based on the industrial value added of the top five industrial nations in each region underscores the shift of industrial activity—and thus the market for machinery and industrial equipment—toward Asia.

While in 2024 roughly 35% of the machinery and industrial equipment market was in APAC (Asia-Pacific) and about 25% in Europe, APAC is projected to reach around 40% by 2030, while Europe's share is at best flat. This implies roughly twice the growth rate in APAC (~7%) versus Europe, driven by structural growth locally and market saturation in Europe.

Asian players are catching up technologically

Historically, European machinery manufacturers were widely seen as clearly superior, driven by strong service capabilities, deep industry expertise and high technological standards. This lead is eroding rapidly: Asian competitors are catching up fast and are increasingly perceived – also outside Asia – as technology and innovation leaders.

> *Over the past 10 to 20 years, we've felt the competition in China [...] but now competitors are leaving China to compete with us on a global scale.*
>
> Business Unit Head, Plant Engineering

Competition from Asia is becoming the key challenge – European machinery and plant engineering businesses need clear strategies.

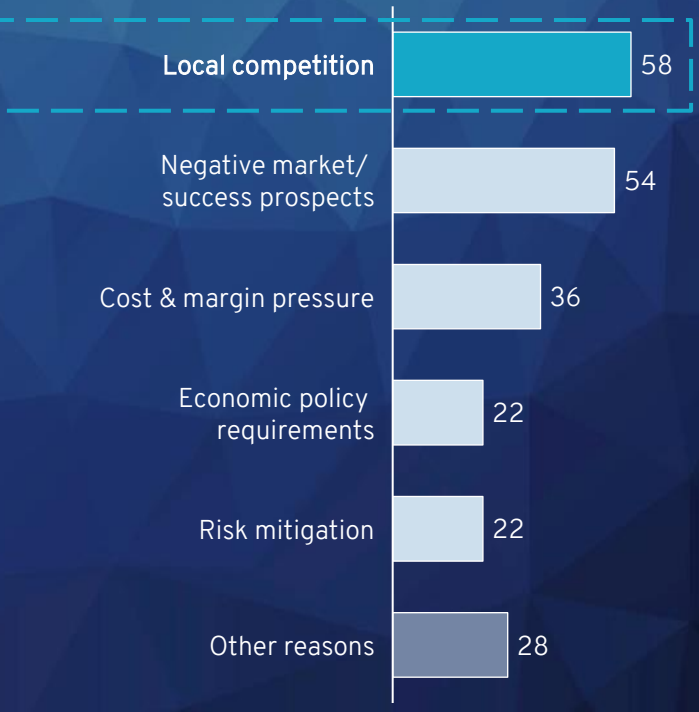
The growing competitive strength of Asian machinery and plant engineering competitors, particularly from China, is clearly evidenced by a survey conducted by the German Chamber of Commerce Abroad (AHK): competition with local players is the single most important reason both for increasing and for reducing investment in the local market (China). German companies typically assess local market attractiveness on a case-by-case basis – depending on the addressed segment, their own portfolio and the regional competitive situation. As an overarching response, a clear "fight or flight" pattern emerges.

Overall sentiment toward the Chinese sales market remains positive. More than 90% of surveyed companies do not plan to exit, 51% of machinery and industrial equipment firms report increasing investment, and only 12% report declining investment volumes.

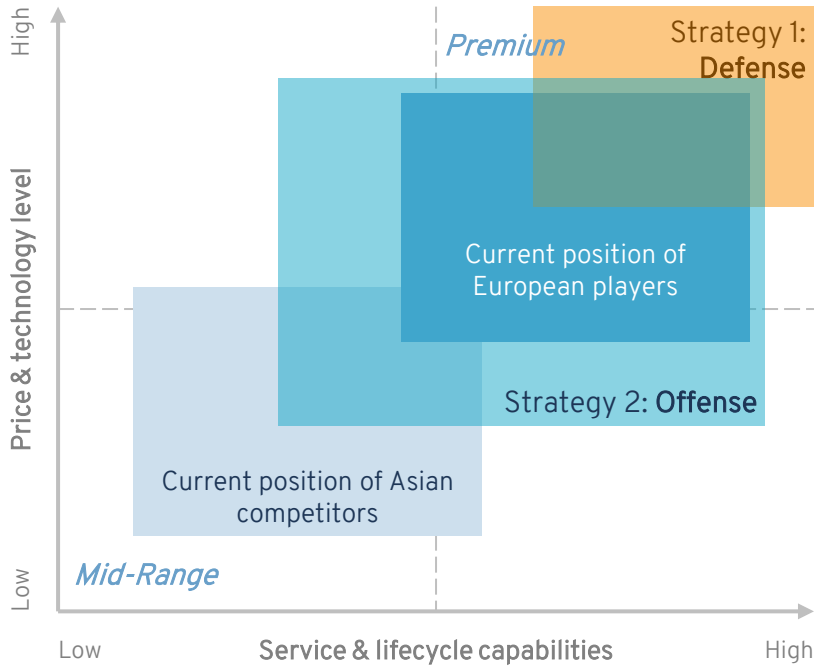
Regardless of global footprint and regional market strategies, European machinery manufacturers need to position themselves strategically against the internationally rising Asian competition. A focus on directly controllable levers – independent of regulatory factors – is essential.

Reasons for increased investment in China
German Chambers of Commerce Abroad - Business Confidence Survey, in %

Reasons for reduced investment in China
German Chambers of Commerce Abroad - Business Confidence Survey, in %



Companies have two strategic alternatives: defend by retreating further into the premium position, or counterattack through vertical diversification.



Defense

Avoiding or delaying direct competition by retreating into – and strengthening – the premium position.

Offense[1]

Direct competition by diversifying the portfolio with mid-range products.

Competitive logic [schematic]

Dimensions	Defense	Offense
Price & technology level	Standard – Premium	Standard – Premium
Customer segment focus	Main-stream – Global leader	Main-stream – Global leader
Regional presence	Europe, Asia, RoW	Europe, Asia, RoW
Addressed market volume	Focus on the premium niche in selected technologies	Targeting the premium **and** emerging mid-range segments

1) The "Offense" strategy does NOT require giving up existing premium positions.

Depending on the chosen strategy, distinct response patterns are recommended to achieve a successful competitive positioning.

Defense

Portfolio optimization

Focus on profitable niches and hard-to-copy applications. Reduction of commoditized segments. Variant rationalization and concentration on a few core platforms.

Innovation leadership

Innovation focus on the physical product as the core, as well as complementary innovation in services, business model, and organization and processes to strengthen differentiation.

Ecosystem & integration

System leadership through open interfaces and strong integration capability. Partner and integrator networks to increase switching costs. Faster time-to-value for customers.

Lifecycle & service lock-in

Consistent leveraging of the installed base as a profit pool. Evolution from machine supplier to solution provider through services, upgrades, retrofits, and digital solutions, strengthening customer retention.

Offense

Separate „Good-enough“ unit

Organizational and brand separation of the mid-range business with its own platform, including P&L, processes, and channels. Higher speed with reduced cannibalization risk.

Local networks

Local partner ecosystem of distributors, integrators, and service partners for fast implementation and financing, plus robust aftersales coverage to increase win rates.

Local value creation

Cost and lead-time parity through local manufacturing, engineering, sourcing, and adaptation to standards and applications. Combination of local tailoring with globally scalable modules.

Modular product platform

Design-to-cost modular platform with standard modules and variant reduction for a market-ready “good-enough” offering, with clear separation from the premium architecture.

> *The weakness [of the Asians] lies in the innovation of machine control and autonomy – that’s where we have the edge [...] that’s our only chance.*
>
> Executive, Textile machinery

> *Unlike in Germany, we do not offer our premium-only product line in Asia; instead, we compete directly with local competitors in the value-oriented customer segment.*
>
> Executive, Press & production lines

Note: The patterns shown are typically associated with each option but may partially apply to both.

Strategically, European players benefit from established capabilities, strong market perception, and a solid customer base. Risks arise from market dynamics, cost structures, and culture.

Sweet spots & benefits of European companies

Defense

Application excellence
Deep industry know-how and process expertise for robust solutions and high process reliability in critical applications.

Installed base
Large installed base as a core differentiator and lever for services, upgrades, and recurring revenues.

Brand & trust
Reputation advantage and trust capital reducing procurement risk and supporting preferred supplier status.

Offense

Technology capability
Broad engineering and technology capability enabling competitive offerings with reliable performance.

Market perception
Perceived European quality as an adoption accelerator and risk reducer in the mid-range.

Customer access
Leveraging existing customer relationships as an entry route via multi-site groups and regional plants.

Challenges & risks for European companies

„Premium trap“
Overengineering, variant proliferation, and fixed-cost buildup amid declining differentiation and pricing power.

Market shift
Growth shifting to Asia and the mid-market, with gradual volume leakage from premium segments.

Cost structure
High European cost base and limited pricing flexibility under increasing competitive and margin pressure.

Corporate culture
Premium-driven culture hampering standardization, speed, and consistent separation of the mid-range business.

Cannibalization
Erosion of price anchors and brand dilution due to overlap across portfolio, channels, and accounts.

Localization & IP
Know-how leakage risk and geopolitical exposure driven by local development, sourcing, and manufacturing.

Certain success factors help European machinery and plant engineering players sustainably strengthen their strategic positioning.

	Success factors [non-exhaustive]	Relevance [indicative]
1	**Tangible customer value** Measurable customer outcomes as a standard to defend price premiums and differentiation.	
2	**Installed base transparency & manageability** Full installed-base visibility including condition data, location, contract status, and upgrade potential as a steering baseline.	
3	**IP & core technology protection** Protection of core technologies through architecture principles, localization boundaries, and effective IP mechanisms.	
4	**Ecosystem integration & partnerships** Integration capability, open interfaces, and partner networks enabling system solutions, local delivery capacity, and scaling.	
5	**Time-to-market excellence** Short end-to-end lead times from concept to serial readiness through fast development, validation, approvals, and ramp-up.	
6	**Cross-regional knowledge transfer** Bidirectional transfer between regions and HQ to support scaling, learning curves, and efficiency gains.	
7	**Local empowerment & decision rights** Local P&L accountability and decision authority to enable speed, market proximity, and consistent execution.	
8	**Local presence & delivery capability in growth markets** Local engineering, service, and partner channels with strong delivery performance in growth markets.	
9	**Platform & configuration discipline** Modular platforms and strict model configuration rules to scale without engineering and cost blow-ups.	
10	**Commercial excellence & channel setup** Standard offerings, fast quoting processes, and capable channel structures to achieve high win rates.	
11	**Cultural readiness & leadership** Culture supporting standardization, simplification, and a value logic alongside premium, enabled by leadership and incentives.	
12	**Cost parity in standard solutions** Competitive cost base through materials cost optimization, manufacturing, procurement, and channel cost control.	

Overarching **MUST-HAVEs**

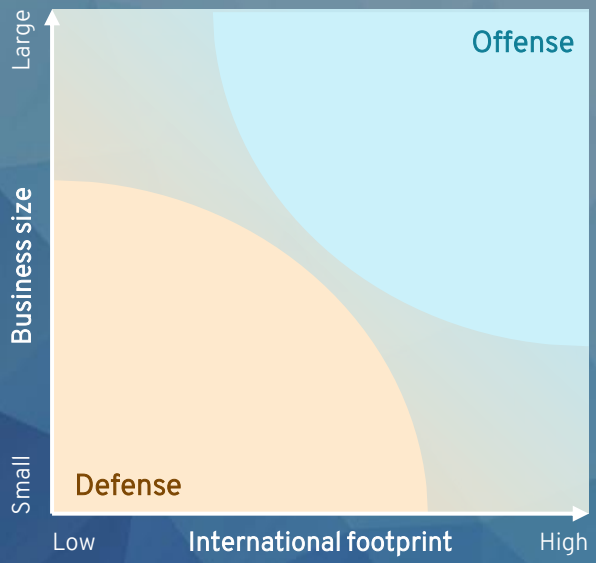
Note: The factors shown are typologically indicative and not to be interpreted as hard thresholds.

When selecting the strategic path, an assessment of market, competition, value creation, and feasibility is recommended.

Strategic considerations [not exhaustive]	Strategic focus if „Yes“ [indicative]
Market attractiveness & segment dynamics	
☑ Do significant **revenue and profit pools** still remain in the premium segment?	Defense – Offense
☑ Is relevant **market growth** occurring primarily in **Asia** and in the **mid-range segment**?	Defense – Offense
☑ Is the mid-range market potential large enough to unlock significant **revenue potential and scale effects**?	Defense – Offense
☑ Do applications with high **downtime, scrap, or liability risks** dominate?	Defense – Offense
Differentiation & competitive positioning	
☑ Are there **provable differentiators with long-term defensibility** in technology and application expertise?	Defense – Offense
☑ Is **competitive intensity in the premium segment** moderate enough to sustain stable price premiums?	Defense – Offense
☑ Have **Asian competitors**' offerings in the target segment already reached **"good enough" maturity** and increasing customer adoption?	Defense – Offense
Value creation & economics	
☑ Is there a structural advantage in **integration, application expertise, and aftersales & service**?	Defense – Offense
☑ Is the **installed base** large enough to support scalable recurring revenues and customer retention?	Defense – Offense
Internal feasibility	
☑ Is there **cultural acceptance** for a "good enough" offering alongside the premium portfolio?	Defense – Offense
☑ Can **cannibalization and brand risks** be managed through clear rules?	Defense – Offense
☑ Is localization feasible without unacceptable **IP/know-how risk** and with sufficient **resources**?	Defense – Offense

Note: Listed considerations are provided as illustrative examples and should not be interpreted as definitive.

Structural characteristics provide indications of the most suitable strategic path – while an individual assessment remains essential.



From our experience working with European machinery and plant engineering companies, recurring patterns can be observed. These enable an initial classification of likely strategic directions, but they do not replace a case-specific analysis, as market environment, competitive position, and internal prerequisites vary widely.

A key driver is **company size in combination with international footprint**. Organizations with a strong resource base and global presence typically have greater strategic degrees of freedom and can build additional offensive options – such as in the mid-market – while safeguarding their premium position. At the same time, size alone is not sufficient: decision-making speed, organizational agility, and risk appetite are equally critical. Smaller, more focused players often pursue the defensive strategic path, but can also succeed through specialization and speed.

Closely linked is the **market and application focus**. Niche and application specialists tend to lean toward the defensive strategic path, as differentiation is rooted in deep process understanding and customer proximity.

More broadly positioned providers can address additional segments and more frequently pursue offensive strategic options. However, in practice, hybrid approaches are also common, combining aspects of both paths in parallel.

Next, the company's **product logic** significantly shapes the strategic direction. Specialist machinery and plant engineering players typically favors defensive approaches, as comparability is limited and engineering capability is decisive – often alongside project- and solution-driven business models. At the same time, opportunities for standardization and modularization are increasing. Standard machinery and platform solutions support offensive strategies, as repeatability and scale effects can be leveraged.

Moreover, the **brand and value proposition logic** also influences strategic orientation. A focused single-brand approach tends to support the defense path through a clear positioning. Multi-brand strategies, by contrast, enable targeted coverage of different price and performance levels and help unlock additional market segments in an offensive approach.

Finally, the strategic logic is reflected in the **income model**. Lifecycle- and service-oriented models often align with the defense strategic path, but – especially when combined with digital offerings – can also serve as differentiation and offensive levers. Volume- and new-machine-driven models are more strongly oriented towards the offense path.

Overall, this typology serves as a pragmatic guide for strategic discussions. In practice, many companies pursue hybrid approaches that combine aspects of the defense and offense paths and must be tailored to the individual company situation.

From assessment and strategic development to lasting implementation, a structured approach is crucial.
We support you throughout!

Market & Competitive Analysis

Quantification of market potential and assessment of customer trends and requirements, as well as competitive dynamics, as the basis for the strategic decision.

Market sizing (volume and growth), market trends, local requirements, customer needs & behavior, competitive benchmarking.

- Support

Company Performance Analysis

Transparency on and evaluation of the company's current performance – across financials, portfolio (including after-sales & service), organization (including culture), and key functions – as a "right-to-win" check.

Financial analysis, portfolio analysis, after-sales potential assessment, organizational & process review, supply chain diagnostics.

- Support

Strategic Options & Direction

Development and evaluation of strategic options, including evaluation criteria and business case. Selection of a strategic option (based on the options presented, including dual strategies) and definition of the target picture.

Support in developing strategic options (workshops), the evaluation parameters, and in preparing decision materials.

- Support

Operating & Business Model

Design of the target operating model – organization, processes, governance, and footprint – as the foundation for scalable execution and economic target achievement.

Product strategy, pricing, product & brand architecture, organization and process design, localization strategy, supply chain optimization.

- Support

Roll-out & Implementation

Derivation of required initiatives and a prioritized roadmap with measures, milestones, resources, and governance to enable successful implementation and measurable value realization.

Development of action plans and roadmaps, set-up of project governance, change management.

- Support

Partnerships & M&A Options

Optional: Identification, evaluation, and acquisition of partners or targets to accelerate market access, localization, cost position, technology capabilities, and scaling along the chosen strategic path.

Make-or-buy assessment, definition of target profiles, target search & screening, prioritization & outreach, commercial due diligence, identification of value drivers.

- Support

We would be happy to support you in developing your strategy and designing your business model

Get in touch.

We serve executives, entrepreneurs and private equity professionals as well as industry associations across a range of sectors and geographies. Our work combines deep industry knowledge with strategic rigor - creating **clarity**, **trust** and **impact** for our clients.

60+
Years of experience

8
Offices worldwide

350+
Projects annually

225+
Team members

Contacts

Matthias Riemann
Managing Principal

t +49 89 1250 159 0
e riemann@munich-strategy.com

Melissa Motyka
Associate Principal

t +49 89 1250 159 61
e mmotyka@munich-strategy.com

Ansgar Breuer
Consultant

t +49 89 1250 159 29
e breuer@munich-strategy.com

We have deep industry expertise and outstanding local know-how.

Our presence in Asia.

Our local service offering ranges from market analyses and forecasts to competitive and pricing analyses, through to identifying acquisition targets and adjacent growth fields. Using data-driven analysis – from descriptive to predictive methods –our teams in Asia support well-founded decisions on pricing, sourcing, supplier selection, and customer needs.

20+
Years on the ground

3
Offices

10+
Local languages

30+
Team members

OUR SERVICES.

Lasting Impact at every Stage.

We support our clients at every stage of their journey - with insights that lead to action. Our integrated advisory approach combines market knowledge, strategic insight and practical implementation to unlock opportunities - whether you are looking to grow, optimize, transform, buy or sell.

- Organic growth
- Business optimization
- Inorganic growth

Strategy & Market Intelligence

We define growth strategies and identify new market opportunities through in-depth industry knowledge, analysis and strategic frameworks.

Insights & Benchmarks

We turn data into recommendations for action - using proprietary benchmarks and performance analysis to make better business decisions.

Business Performance & Transformation

We help our clients optimize structures, supply chains and business processes to achieve measurable performance improvements.

Mergers & Acquisitions

We support our clients throughout the entire transaction cycle - from target selection and due diligence to post-merger integration and value creation.

Our industries

Core value chain segments

Parts & components

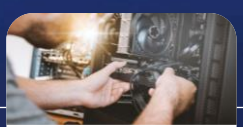
Mechanical engineering

Plant engineering

Automation & systems integration

Adjacent & enabling segments

Software & electronics



Aftermarket (service, spare parts)

Packaging materials & consumables

OUR STUDIES.

Only those who understand can advise.

Current Rankings

Current industry studies

LET'S CONNECT.

Unrivaled Experience, Worldwide Coverage.

EUROPE

Munich, Germany | European Headquarters
Türkenstraße 5
Tel. +49.89.1250.1590
info@munich-strategy.com

Paris, France
110 Avenue Victor Hugo 92100
Tel. +33.1.46.99.59.60
info@duckercarlisle.com

London, United Kingdom
info@duckercarlisle.com

AMERICAS

Troy, Michigan, USA | Global Headquarters
1250 Maplelawn Drive
Tel. +1.248.644.0086
info@duckercarlisle.com

Boston, Massachusetts, USA
One Lincoln Street, Suite 2400
Tel. +1.800.929.0086
info@duckercarlisle.com

ASIA - PACIFIC

Bengaluru, India
Ground Floor, Indiqube Sapphire, 73/1,
St. Marks Road
info@duckercarlisle.com

New Delhi, India
2A-123, WeWork Eldeco Center, Malviya
info@duckercarlisle.com

Shanghai, China
108 Yuyuan Road, Suite 903
Tel. +86.21.6443.2700
info@duckercarlisle.com

MUNICH STRATEGY
part of Ducker Carlisle

DISCLAIMER

The information contained in this document is based on sources that Munich Strategy GmbH & Co. KG considers to be reliable. The document has been prepared with the utmost care. Munich Strategy GmbH & Co. KG does not guarantee the accuracy, completeness, or timeliness of the information contained in this document. Furthermore, the authors accept no liability for the use of the information provided.

The findings presented in this document do not claim to be complete or universally valid.

The copyrights are held exclusively by Munich Strategy GmbH & Co. KG. Any form of reproduction or publication requires the express permission of Munich Strategy GmbH & Co. KG.