

WINNING AGAINST LOW-COST COMPETITION – FROM INSIGHT TO ACTION

A strategy blueprint for incumbents

Munich, September 2026



Sector context: The pressure on European machinery and plant engineering is structural, coming from two directions at once and driven by shifts that will not reverse.

Competitive dynamic

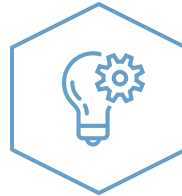


Reasons for increasing pressure on incumbents¹



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

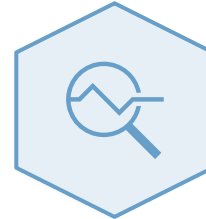
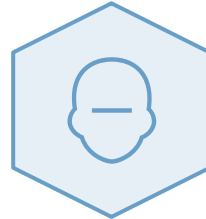
European machinery and plant engineering firms often remain anchored in legacy portfolios and organizational models. Complexity, longer decision cycles and cautious capital reallocation toward digitalization, services and new platforms slow adaptation, reduce speed and raise costs.

Warning signals: This pressure rarely shows up as one clear event in your business, but as a pattern across sales, pricing and margins.

Which of these signals do you recognize?

You lose deals you used to win

- Are you losing bids to competitors you did not take seriously three years ago?
- Are you increasingly the second source rather than the preferred supplier?
- Are customers leaving you out of tenders you were always invited to?



Growth is happening where you are weakest

- Is your business growing more slowly than the markets you operate in?
- Are you losing volume in Asia to local players?

Margins erode despite stable volumes

- Are your costs and complexity growing faster than your differentiation?
- Do variants, specials and engineering effort keep increasing?
- Are specials and customer-specific requests consuming an increasing share of your capacity?

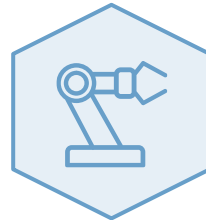


Your price premium is being questioned

- Has price become the dominant argument in your customer negotiations?
- Are customers telling you that a simpler solution would be sufficient?
- Are you discounting to defend volume?

Your installed base is slipping away

- Are third parties taking over your service, spare parts and retrofit business?
- Are replacement investments going to other suppliers?
- Is your service revenue growing more slowly than your installed base?



Key customers are shifting their sourcing

- Has a key account started buying locally in Asia?
- Are your customers asking you to match local prices and lead times?
- Are global accounts qualifying Asian suppliers as a second source?

Your countermeasures are not working

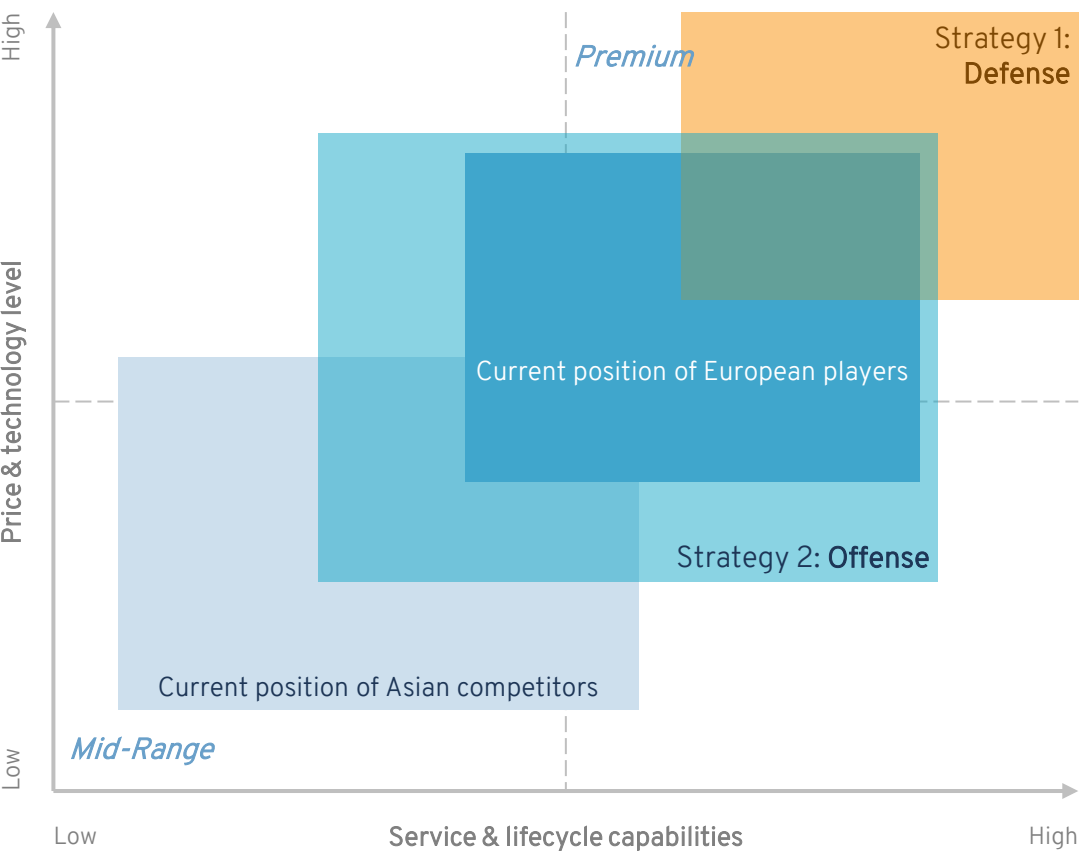
- Have cost programs and sales initiatives failed to stop the trend?
- Are you responding with isolated measures rather than a direction?
- Has the same discussion been running for more than two years?



Note: Individually, each signal might invite an operational response – recurring across several areas, they point to a structural challenge.

Strategic responses: Standing still is not one of them, but companies in your position typically choose one of two paths, and both build on capabilities you already have.

Strategic response patterns



Details on strategic response patterns



Defense



Offense

Strategic intent

Direct competition is avoided or deferred by retreating into and systematically strengthening the premium position.

(Asian) competition is met directly through mid-range diversification, without giving up existing premium positions.

Competitive positioning

Focus on premium (niches) in selected technologies where engineering capability remains decisive; the portfolio sharpens rather than widens.

Premium and emerging mid-range segments are addressed in parallel, with broader regional presence and larger addressable volume.

Strategic levers

Portfolio optimization, innovation leadership, system integration and consistent monetization of the installed base along the lifecycle.

A separated "good-enough" unit, a design-to-cost modular platform, local value creation and local partner networks.

Foundation in existing strengths

Deep application expertise in critical processes, a large installed base, and established brand and trust capital.

Broad technology capability, European quality perception as an adoption accelerator, and established customer access.

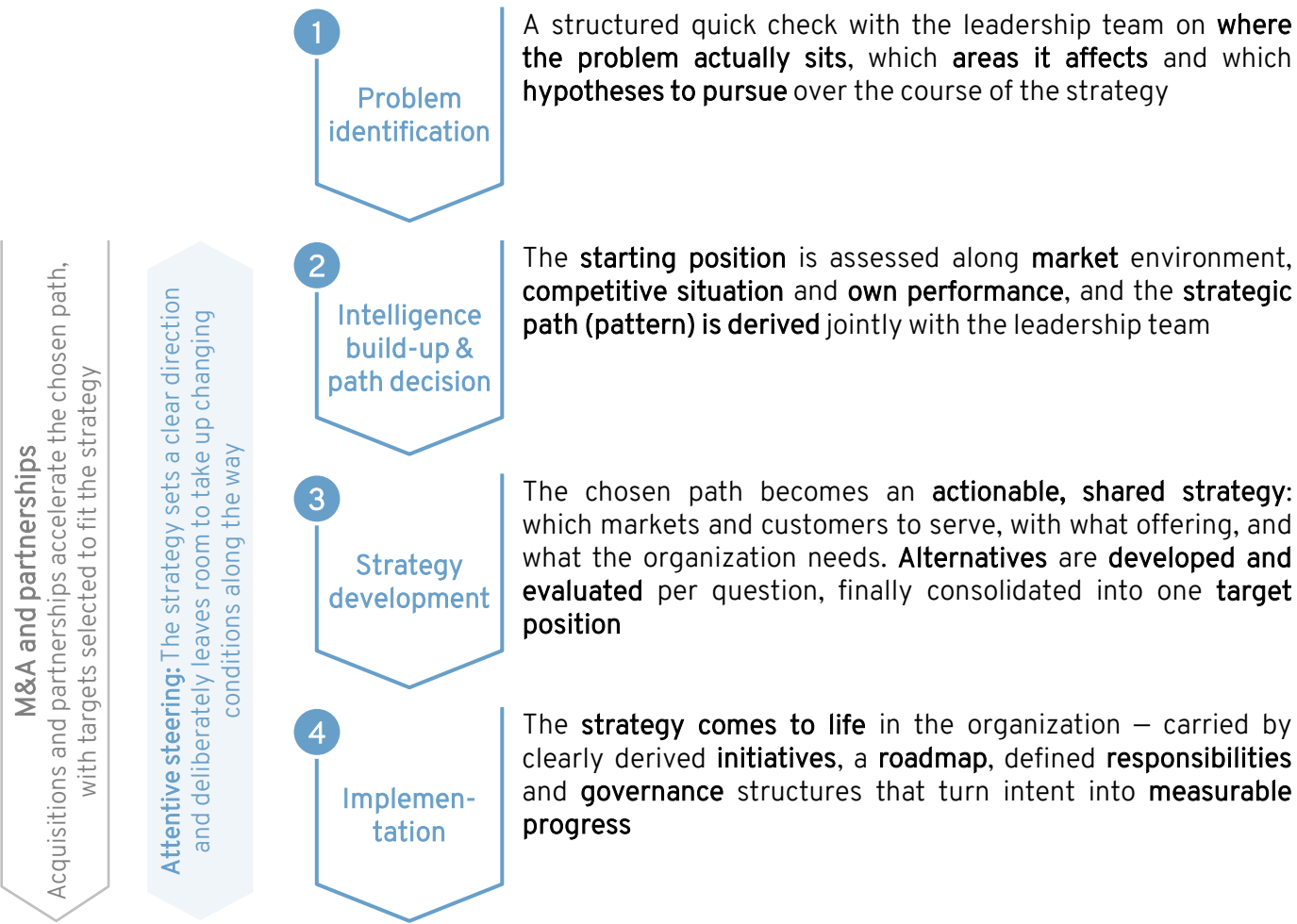
Critical exposure

"The premium trap" – overengineering, variant proliferation and fixed costs outpacing achieved differentiation and pricing power.

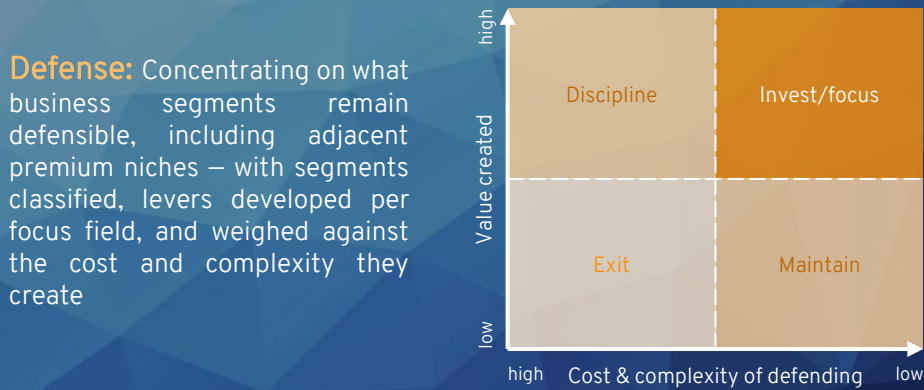
Cannibalization of price anchors and brand, a premium-driven culture resisting standardization, and know-how leakage through localization.

Our strategy approach: We help you choose the right strategic path and develop it into a strategy tailored to your market conditions and internal capabilities – for a position that holds.

The strategy process – how to pursue it



The two patterns – how each is developed



OR¹

Offense: Building a second pillar (mid-range) along the value chain, starting from the market – with options developed per area, aligned with each other and with market requirements



1) This blueprint covers the two typical patterns, although hybrid approaches drawing on elements of both also occur in practice.

What you gain: We measure ourselves by whether you lead your market afterwards – with clarity on where you stand and an organization that carries the direction for the long run.

Clarity – where you stand and where you go



Clear positioning

What you offer, to which customers, and on what grounds they choose you over alternatives



Realistic view of the competition

Where competitors have closed the gap, where they have not, and how durable your remaining advantage is



Explicit choice of playing field

The segments, applications and channels you compete in, and those you deliberately leave



Decided direction

One agreed path, with the trade-offs behind it documented and the discussion closed

Capacity – an organization ready to move



Aligned leadership team

One shared answer across the leadership team, not a compromise between competing agendas



Committed organization

The direction understood and carried well beyond the boardroom, down to those who deliver it



Fitting organizational setup

Structures, decision rights and incentives that support the direction rather than the way the business grew



Ability to execute

Priorities, responsibilities and steering in place, backed by a business case that secures the resources

Competitiveness – a position that holds



Stronger market position

Share defended or regained in the segments you chose, instead of eroding across all of them



Defended margins

Price premiums that hold where value is provable, and complexity removed where it is not



Regained initiative

Moves made on your own timing rather than in reaction to competitors

Successful project examples: Two machinery manufacturers under pressure comparable to yours, two different answers – both developed through a structured, evidence-based approach.

Case studies



Defense

Company context	Materials testing equipment manufacturer, mid three-digit million revenue, global market leader with a premium position built over the preceding strategy cycle
Starting situation	Technical comparability increasing, with Chinese suppliers gaining in the addressed segments. Market growth concentrated outside the home market , penetration in North America and China behind ambition, and the premium claim applied unevenly
Core question	Where does the premium position remain defensible – and what does it take to make it provable rather than asserted?
Approach	Segment-level assessment of market, competition and own position, with particular depth on the competitive dynamics in China . Developed and decided with the leadership team across multiple workshops , supported by in-depth interviews with customers, regional organizations and partners
Result	Premium position sharpened rather than widened: concentration on defined focus industries, with differentiation shifted from the machine to the customer's application over the full lifecycle . Installed base established as a second earnings pillar , the position funded through local value creation and lean structures
Impact	A premium position defended on provable customer value rather than reputation, with a defined growth path and the resources to finance it

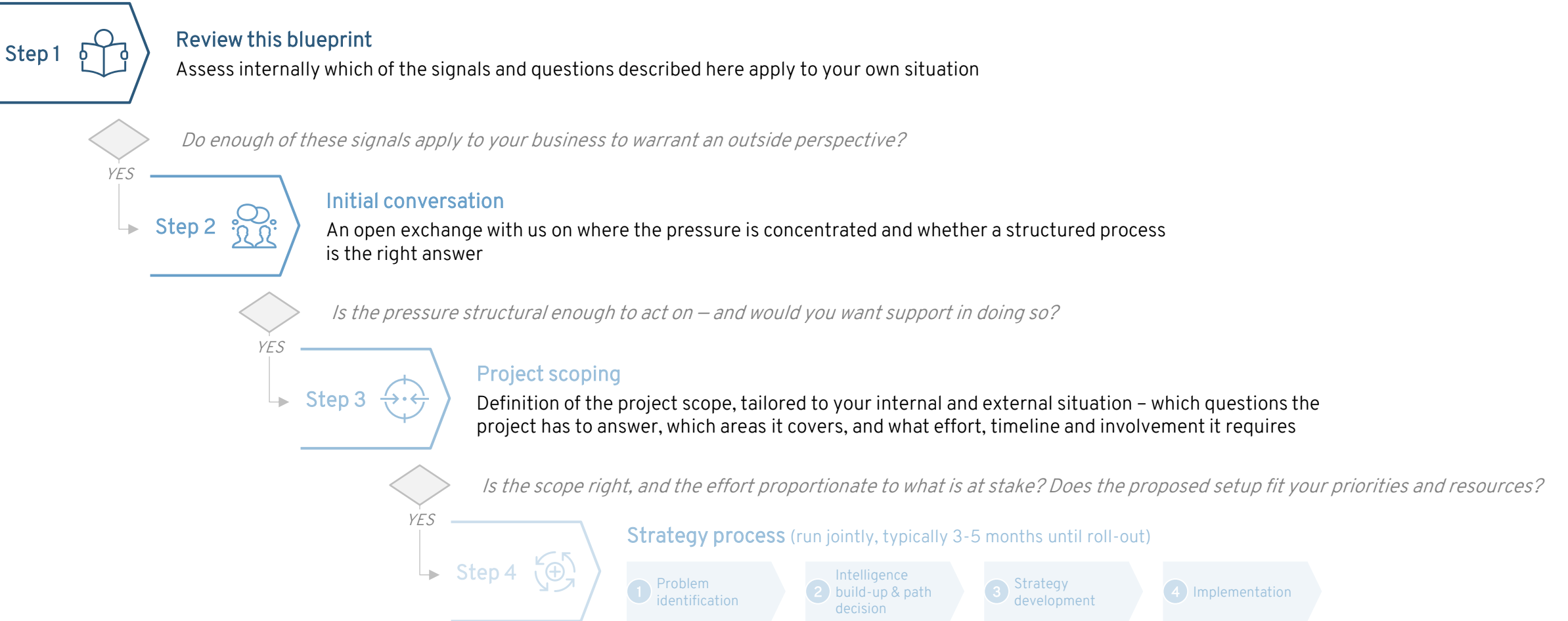


Offense

Company context	Packaging machinery manufacturer, upper mid-size, European premium position with global sales and an established Asian production footprint
Starting situation	Low-cost competitors moving upwards, eroding share in the more standardized ranges . The addressable market was narrowing as the company was pushed further into the premium niche – while a large mid-capacity market remained untapped
Core question	How can the mid-cap market be entered while the premium position continues to grow – in which segments, and by which route?
Approach	Systematic assessment of segments, offering, market access and delivery setup, based on market research in the target regions and close involvement of the local teams . Options developed with a cross-functional working group and decided at board level, including acquisition options alongside the organic route
Result	Market entry into the mid-cap segment through the acquisition of a specialist player , addressing the market under the acquired brand , with its own portfolio standardized in parallel and the Asian production site reconfigured for cost-efficient manufacturing. Best practice exchange created synergies in either direction
Impact	Access to a substantially larger addressable market , with the premium position and brand left intact . Revenue gains and cost advantages realized across the group

How to start with Munich Strategy: A program of this scale deserves a considered decision – three steps build the basis, each with a clear decision point, and we gladly accompany you along the way.

From this document to a tailored strategy process



Who we are

60+

Years of experience

8

Global offices



350+

Annual projects

225+

Team members

A valued partner for our clients.

We are the partner for profitable growth and long-term competitive advantage in the machinery and plant engineering industry. With more than 225 consultants, we support companies across all segments and continents in strategy, growth and resilience. **We create market leaders!**

We serve corporate executives, business owners and private equity professionals as well as industry associations across industries and regions. Our work combines deep industry insight with strategic rigor – creating **clarity**, **confidence** and **impact** for our clients.

Our services

Lasting impact at every stage.

We guide our clients through every stage of their journey – with insights to action. Our integrated consulting approach combines market intelligence, strategic insight and hands-on implementation to unlock opportunities – whether you're looking to **grow, optimize, transform, buy** or **sell**.

Organic growth

Business improvement

Inorganic growth

Strategy & market intelligence

We define growth strategies and identify new market opportunities through deep industry insight, analytics and strategic frameworks.

Business performance & transformation

We help clients optimize structures, supply chains and commercial processes to achieve measurable performance gains.

Insights & benchmarks

We turn data into direction – using proprietary benchmarks and performance analytics to drive better business decisions.

Mergers & acquisitions

We guide clients through the full deal cycle – from target screening and due diligence to post-merger integration and value creation.

Our edge

Industry expertise

We combine decades of experience in the machinery and plant engineering industry with a deep understanding of market mechanics.

Entrepreneurial mindset

We think like business owners and investors – combining strategic vision with operational pragmatism to identify growth opportunities and accelerate performance.



Analytical excellence

Our projects are grounded in facts and data – built on proprietary benchmarks, proven frameworks and 500+ successful projects.

Partner-led collaboration

Every project is personally driven by our partners – ensuring senior attention, pragmatic judgment and entrepreneurial sparring to create substantiated value.

Our focus: Industrial Automation

Thought leadership and
end-market expertise.

At Munich Strategy, we are dedicated to shaping the future of our clients. Our **analytical approach** and **entrepreneurial mindset** enable clients to outperform in complex, technically driven markets – and to secure lasting competitive advantage.

With deep industry expertise, decades of consulting experience and hands-on collaboration, we design **growth strategies**, **transformation programs** and **M&A initiatives** that deliver measurable impact.

Core value
chain
segments



Parts & components



Mechanical
engineering



Plant engineering



Automation & systems
integration

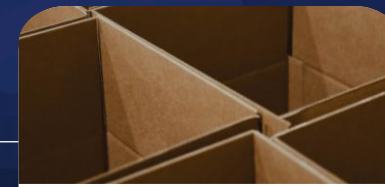
Adjacent &
enabling
segments



Aftermarket
(service & spare parts)



Software &
electronics



Packaging materials &
consumables

Industrial Automation team

Engineering performance. Driving progress.

Our international Industrial Automation team unites deep industry expertise with strategic and operational excellence. We support machine manufacturer, automation and solution providers, as well as investors across diverse applications and the entire value chain – from components, tools and specialized equipment to handling and processing automation.

Building on a proven track record in strategy, transformation and M&A, we partner with our clients through analytical depth, entrepreneurial spirit and hands-on collaboration to create measurable growth and lasting impact.



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