

AlixPartners

The global press

Insights from AlixPartners'
2026 Industrials Study



Introduction

Premium industrial manufacturing is becoming commoditized as Chinese competition moves along the value chain. Companies should transform for the 'good enough' world.

The global industrial sector has stagnated, with pressures most pronounced at the premium end of the market. The macro backdrop is compounded by a structural shift, as Chinese companies rapidly advance into markets long dominated by Western premium manufacturers.

Chinese producers are leveraging advantages ranging from input costs and access to critical materials, putting rivals' sales and volumes under pressure.

Based on AlixPartners analysis of a sample of approximately 1,200 industrial companies, and on external market data sources used for the global revenue outlook, the industrials market is expected to remain broadly flat or decline slightly through 2027, with no meaningful recovery anticipated before 2028.

Chinese products have undergone significant qualitative upgrades to compete in sectors that include industrial robots and automation, electrical equipment, and construction machinery. Their brand perception overseas may still lag, but quality and cost improvements are eroding the competitive edge of Western rivals.

The distorting effects of tariffs and the potential demand destruction from the Middle East conflict's impact on energy markets and supply chains threaten to push out the timeframe for revenue recovery.

Manufacturers and producers in segments ranging from specialized machinery, automation, and building products are also among the most affected in AlixPartners' latest Annual [Disruption Index](#).

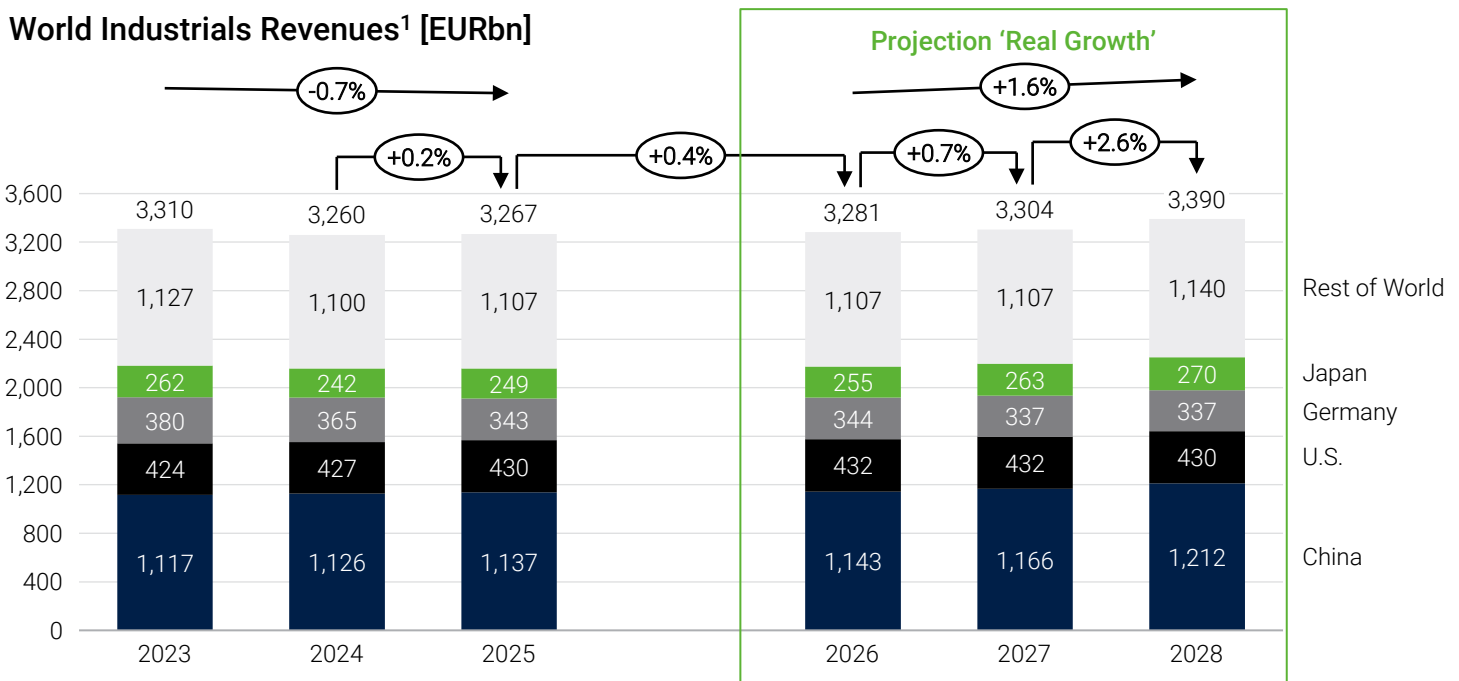
Half the industrial executives polled for the Index reported that their companies were undergoing high levels of disruption. This was most pronounced in metals, power, energy, automation, and building technologies.

The competitive threat from Chinese industrials is a key disruptive factor reshaping market structures, pricing dynamics, and technology trajectories. Segment borders are blurring; many formerly low-end products today reach mid-end performance levels. Western manufacturers that fail to adapt their positioning, cost structures, or geographic footprint risk irreversible loss of market share.

“The premium segment, our stronghold for the past 20-plus years, is commoditized by Chinese players”

Industry executive

Figure 1: The global industrials market won't recover until 2028



Source: VDMA, Manufacturing Purchasing Index (Trade Economics), Euromonitor, IMF: World Economic Outlook (Oct 2023), AlixPartners analysis
 1. Revenue value estimates for produced machines and equipment excluding services like installation, repair and maintenance

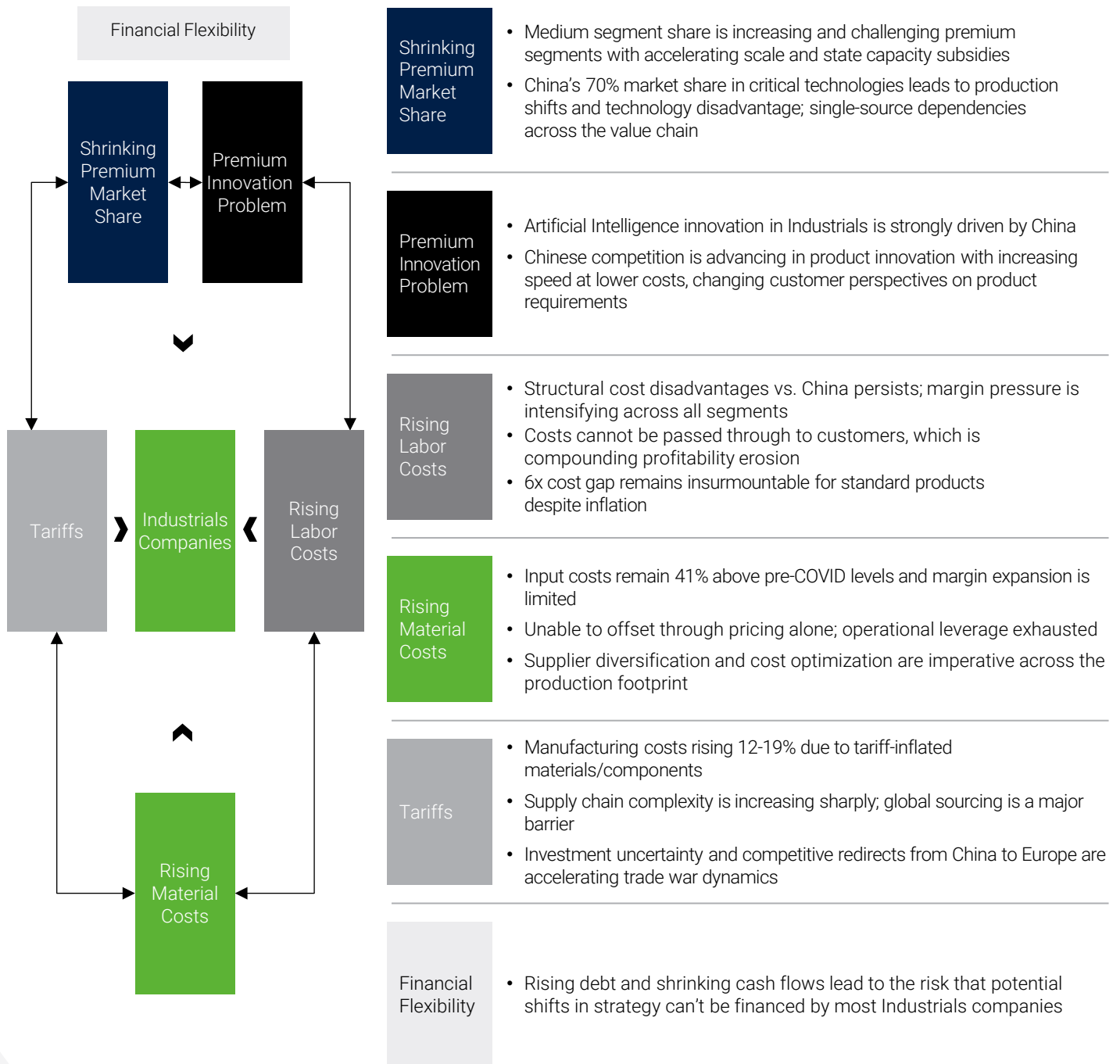
Chinese industrial firms have achieved a 70% market share in several critical technologies, creating single-source dependencies across global value chains.

Crucially, this is no longer a story of low-cost, low-quality alternatives. Chinese competitors are advancing product innovation at an increasing pace and at lower cost – fundamentally shifting customer expectations about what constitutes acceptable performance at a given price point.

Chinese companies are now successfully penetrating premium segments with products perceived as delivering performance similar to that of established Western brands, but at materially lower prices.

AlixPartners is working with clients to adjust their strategies, mitigate disruptive forces, and protect competitiveness. Resilience and premium positioning can be supported by transformational M&A, systematic innovation, and profitable aftermarket services.

Figure 2: Disruption intensifies pressure on premium market positions



Companies outside China face structural challenges: competitive disadvantages, production shifts to China, supply chain dependency, and technology disadvantages. The heatmap below reveals uneven growth across countries and segments.

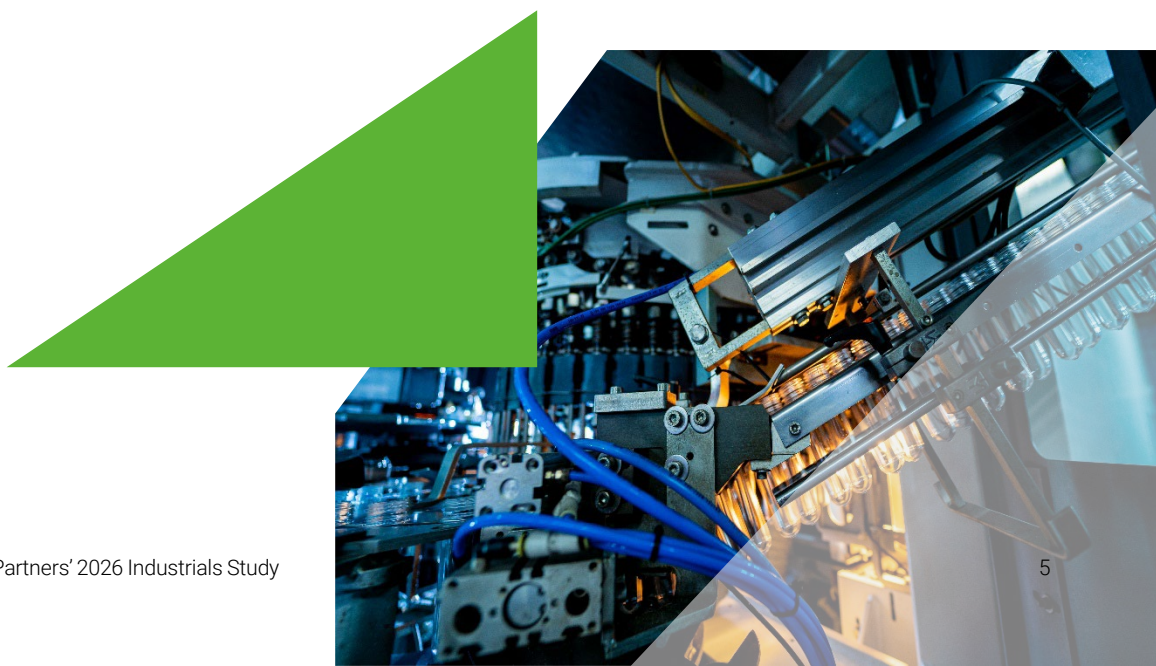
Figure 3: Uneven growth by country and segment

| Revenue CAGR 2023 - 2025 ¹ / EBIT margin 2025 ¹ | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|-----------------|---------------|---------------|--------------|--------------|-----------------------------------|
| | China | U.S. | Germany | Japan | Other W. Europe | Switzerland | India | Total | # Cos | Revenues 2025 ¹ [EURm] |
| Metals, Power & Energy Systems | 8.9% | 3.0% | -6.0% | -0.3% | -4.1% | | 20.3% | -0.9% | 93 | 131,909 |
| | 3.8% | 6.8% | 1.5% | 6.7% | 2.2% | | 17.3% | 3.4% | | |
| Mobile Equipment | -0.4% | -8.9% | -6.3% | -5.2% | -5.1% | -3.4% | 4.2% | -5.3% | 218 | 401,828 |
| | 6.8% | 14.4% | 5.5% | 8.8% | 6.9% | 11.8% | 10.7% | 10.1% | | |
| Automation & Robotics | 0.2% | -4.4% | -1.0% | -2.5% | -5.6% | | | -2.9% | 104 | 127,735 |
| | 4.5% | 9.9% | 5.0% | 9.2% | 5.3% | | | 8.1% | | |
| Special Machinery | -2.9% | -0.2% | -1.2% | -4.4% | -2.9% | -9.9% | -15.3% | -2.5% | 350 | 252,253 |
| | 3.8% | 10.6% | 7.9% | 9.4% | 6.8% | 2.4% | 6.1% | 7.7% | | |
| Building Technologies | -4.9% | 2.0% | -1.5% | -3.2% | 0.0% | 7.9% | 8.3% | -0.8% | 322 | 220,862 |
| | 4.9% | 14.6% | 6.0% | 7.8% | 9.1% | 12.4% | 8.9% | 9.6% | | |
| Total | -0.4% | -4.4% | -4.1% | -3.8% | -3.1% | -4.3% | 8.2% | -3.1% | 1,087 | 1,134,587 |
| | 5.2% | 13.0% | 4.5% | 8.6% | 6.9% | 9.5% | 11.1% | 8.5% | | |
| # Companies | 284 | 66 | 108 | 210 | 360 | 20 | 39 | | 1,087 | |
| Revenues 2025¹ [EURm] | 256,710 | 316,091 | 135,241 | 263,142 | 114,601 | 33,903 | 14,899 | | | 1,134,587 |

Source: Capital IQ, AlixPartners analysis Note: Based on sample of N = 1,200 companies in selected segments and top countries.
 1. LTM data for companies that have not yet published 2025 data as of February 2026.

This dynamic is accelerating. AI-driven innovation in the industrials space is increasingly being led by Chinese firms, further eroding the technology leadership that has historically justified premium pricing for European, Japanese, and U.S. manufacturers.

The competitive threat is not uniform. This heatmap also reveals that Chinese companies are outperforming global peers in revenue growth across Metals/Power & Energy Systems and Automation & Robotics, while Western peers in those same categories are experiencing declines. Mobile Equipment has seen the sharpest global contraction (-5.3% CAGR), with Chinese and Indian markets as the notable exceptions. India stands out as an emerging growth market (+8.2% overall) but does not yet offset the structural pressures in mature markets.



Chinese manufacturers have already surpassed German exports in 16 of the 28 examined sub-segments, according to an industry study.

General Mechanical and Plant Engineering

China's target export markets have included valves, conveying equipment, and heating/cooling/air-conditioning technology. In more complex technical assemblies, Chinese-made hydraulics and pneumatic components, turning/milling units, and industrial conveying and packaging equipment are now regarded as reliable, high-quality imports – increasingly also by demanding B2B customers.

Many European machines contain Chinese-made assemblies such as hydraulic units, axles, and conveyor lines that are positioned in the upper mid-range quality level. These are increasingly installed as unbranded components in premium machines offered by Western OEMs.

Chinese industrial brands in the premium segment score particularly well in product features, connectivity, and assistance systems, though that hasn't always translated into brand perception that matches their technical prowess.

For standard industrial robots, electrical switchgear, conventional construction machinery, conveying systems, and components, China represents a best-cost premium proposition that is often fully competitive from a technical standpoint. In areas such as ultra-specialized machine tools and high-precision automation, Europe and Japan still dominate. But the gap is narrowing, and some niche Chinese suppliers are already on an equal footing.

Construction Machinery

China has overtaken German machinery makers in several segments, including conveying equipment and mining, civil engineering, and construction machinery.

Brands such as Xiniu position their mini excavators as high-quality, cost-efficient alternatives to Kubota, Caterpillar, or JCB. Workmanship, welding seams, and paint finishes are now described as virtually on par with Western alternatives, including improved corrosion protection.

China's reach is currently focused on upper mid-range to value-premium quality in standard excavators, wheel loaders, and conveying systems, rather than the most specialized products such as tunnel boring machines.

Industrial Robots & Automation

Chinese robots produced by firms including Chengdu CRP Robot Technology and EVS Tech are now installed in the domestic production lines of many automotive and electronics applications, where previously only ABB, KUKA, or Fanuc systems were used. This is particularly evident for standard handling, welding, and palletizing tasks.

Control Cabinets & Electrical Equipment

Manufacturers such as Wuhan Yuandong Electric, Hubei Huayi Electric Group, or HUANGHUA Group supply medium- and low-voltage switchgear, ring main units, and power distribution cabinets with ISO9001/14001/45001 certification, their own branding, and ODM/OEM capabilities.

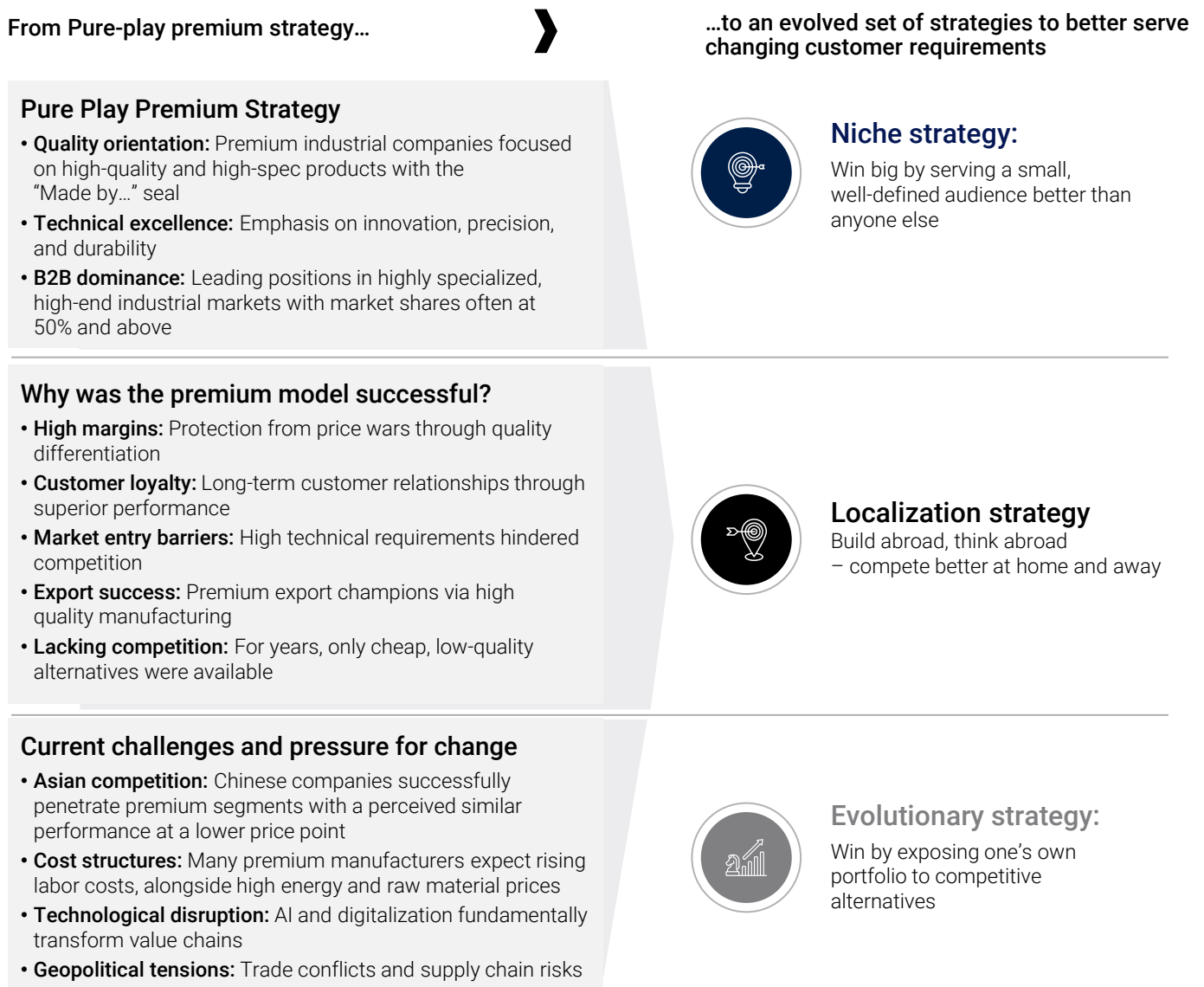
Chinese companies are also shifting some product development to other regions, which then innovate beyond the local market to provide additional export opportunities.



Western premium industrial companies are responding, and AlixPartners interviewed C-suite executives to identify three strategic paths being pursued in response:

| | | |
|------------|-------------------------------|---|
| 01: | NICHE STRATEGY: | Doubling down on defensible, highly specialized segments with high switching costs; |
| 02: | LOCALIZATION STRATEGY: | Building local-for-local manufacturing footprints, particularly in Asia and emerging markets; |
| 03: | EVOLUTIONARY STRATEGY: | Expanding portfolios into value segments through M&A and the integration of aftermarket services to improve margin resilience, fostering a culture of “creative destruction”. |

Figure 4: Premium companies evolved customer needs



AlixPartners' client work and interviews with C-suite leaders has identified three strategic levers to address the challenges:

1. Niche

Win big by serving a small, well-defined audience. Target higher margins with defensible positioning and high switching costs while accepting a shrinking total addressable market.

2. Localization:

Build local value chains with second brands serving the mid-market, with a value line under a separate, clearly defined line to avoid cannibalization. Think "China for China" and "India for India".




3. Evolutionary

Develop local-for-local products without brand separation and encourage internal competition against legacy products to bolster innovation, using the same brand and addressing new customer segments.

"We must fully localize the value chain in China or India to serve growth markets"

Industry executive

Figure 5: Three levers play crucial roles in strategy implementation

| | M&A | Innovation | Aftersales |
|--|---|---|--|
|  <p>Niche strategy</p> | <ul style="list-style-type: none"> Divest non-core, low-margin assets Redeploy capital to premium innovation and aftermarket expansion | <ul style="list-style-type: none"> Build proprietary technology and IP to strengthen niche defensibility and Raise customer switching costs | <ul style="list-style-type: none"> Develop high-margin service and spare parts offerings to offset equipment sales volatility |
|  <p>Localization strategy</p> | <ul style="list-style-type: none"> Acquire regional players to accelerate market entry Build local manufacturing footprints in target geographies (Local for Local) | <ul style="list-style-type: none"> Develop local-for-local product variants tailored to regional customer requirements and regulatory standards | <ul style="list-style-type: none"> Establish local service networks and supply chains to build customer stickiness and recurring revenue streams |
|  <p>Evolutionary strategy</p> | <ul style="list-style-type: none"> Fill portfolio gaps across value-line and 'good-enough' segments Gain lower-cost manufacturing capabilities | <ul style="list-style-type: none"> Accelerate digital and sustainability transformations through targeted acquisitions of technology and expertise | <ul style="list-style-type: none"> Integrate aftermarket services across expanded portfolio to improve overall margin profile and competitive positioning |

The strategic responses are taking shape...



Focus:

- Targeted positioning in the mid-segment: “good-enough plus” – clear added value for the customer without over-specification
- Systematic segmentation by applications, price points, and service requirements



Go-to-market and footprint:

- Local development, production and service in core markets (especially China) to improve costs, lead times, and customer proximity
- Partnerships with local integrators and distributors to strengthen market access



Operating model and capabilities:

- Expansion of digital and service-oriented business models (after-sales, predictive maintenance, software/IoT solutions)

And growth enablers are being identified...



M&A:

- **Sell-side (divestment):** Exit low-margin, commoditized segments; redeploy capital to defensible areas
- **Buy-side (acquisition):** Accelerate market entry in target geographies, fill portfolio gaps, and gain local expertise
- **Impact:** Compresses transformation timeline vs. organic growth; essential for Localization & Evolutionary strategies



Innovation:

- **Problem:** 3x slower innovation cycles vs. China (16-22 months vs. 6-12 months)
- **Solution:** 7-step structured approach from customer insight to market launch
- **Impact:** Enables premium differentiation and defensibility in the chosen segment



Aftersales:

- Top performers generate 50-60% of revenues from after-sales
- Gross margins 2-3x higher than equipment sales
- Impact: Stabilizes cash flow, offsets equipment volume decline

The competitive threat from Chinese industrials is no longer a future risk — it is a present reality reshaping market structures, pricing dynamics, and technology trajectories. Western premium manufacturers that fail to adapt their positioning, cost structures, or geographic footprint risk irreversible loss of market share in the years ahead.

“Let’s put our customers back into focus and understand what they really pay for”

Industry executive

AlixPartners

For a deeper discussion on the findings of our study and how AlixPartners supports clients in industrial products, contact the authors:



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About us

For more than forty years, AlixPartners has helped businesses around the world respond quickly and decisively to their most critical challenges—circumstances as diverse as urgent performance improvement, accelerated transformation, complex restructuring and risk mitigation.

These are the moments when everything is on the line—a sudden shift in the market, an unexpected performance decline, a time-sensitive deal, a fork-in-the-road decision. But it's not what we do that makes a difference, it's how we do it.

Tackling situations when time is of the essence is part of our DNA—so we adopt an action-oriented approach at all times. We work in small, highly qualified teams with specific industry and functional expertise, and we operate at pace, moving quickly from analysis to implementation. We stand shoulder to shoulder with our clients until the job is done and only measure our success in terms of the results we deliver.

Our approach enables us to help our clients confront and overcome truly future-defining challenges. We partner with you to make the right decisions and take the right actions. And we are right by your side. When it really matters.

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