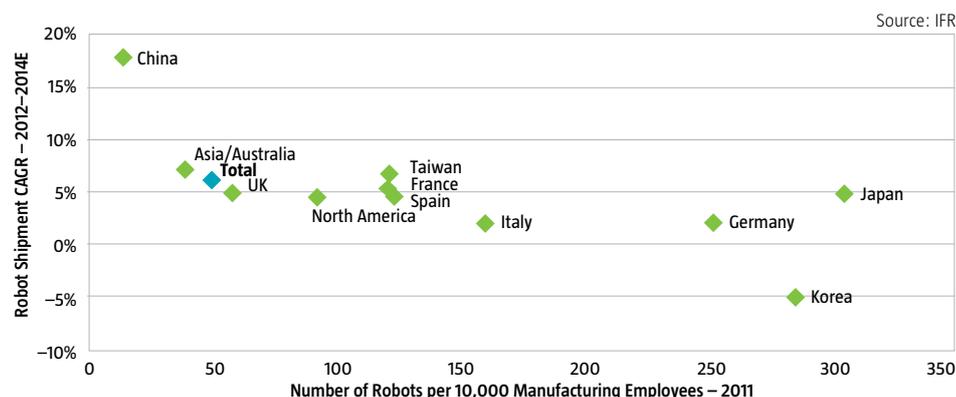


## The automation renaissance

### Current robot penetration versus future growth



### Technological progress and structural megatrends drive demand

At first glance, industrial automation offers an attractive value proposition: lower manufacturing costs, improved productivity, enhanced product quality and safer manufacturing operations. However, while many of these arguments hold true, up to now few industries besides the automotive sector have experienced a high degree of automation in their manufacturing processes. This is largely due to two factors: until recently, shifting production capacity to regions with low labor costs has made more economic sense, and the complexity of manufacturing processes has limited the options to automate parts of the process. This is all about to change and will likely trigger a new growth phase for industrial automation providers. A combination of structural megatrends – such as rising wages in China and in other manufacturing hot spots – and technological advances – such as more integrated automation solutions – means that traditional barriers to automation are progressively disappearing.

As emerging markets industrialize, move up the manufacturing value chain and seek to compensate for rising labor costs, they are likely to represent a key growth market for automation products. By the same token, as production capabilities return to developed countries, automation solutions appear increasingly attractive in what will likely remain a high labor cost environment.

Finally, growing regulatory pressure to reduce the environmental impact and improve the safety track record of company operations is likely to bolster strong long-term demand for industrial automation.

On the technological side, several trends are enabling the emergence of automated solutions that are better suited to complex manufacturing processes, increasingly benefiting industries such as Food & Beverages or Pharmaceuticals.

Companies such as Rockwell Automation, which has traditionally specialized in discrete automation, have been progressively moving towards process automation by offering hybrid solutions such as open architecture controller interface, taking market share from established players.

These developments bode well for the automation industry in general, particularly for innovative players in this space.

**"Rising wages and technological advances are providing a favorable environment for automation solutions to flourish in the future."**



**Cécile Churet**

Senior Analyst,  
RobecoSAM Sustainable Global  
Equities Strategy