Innova Research Press Release

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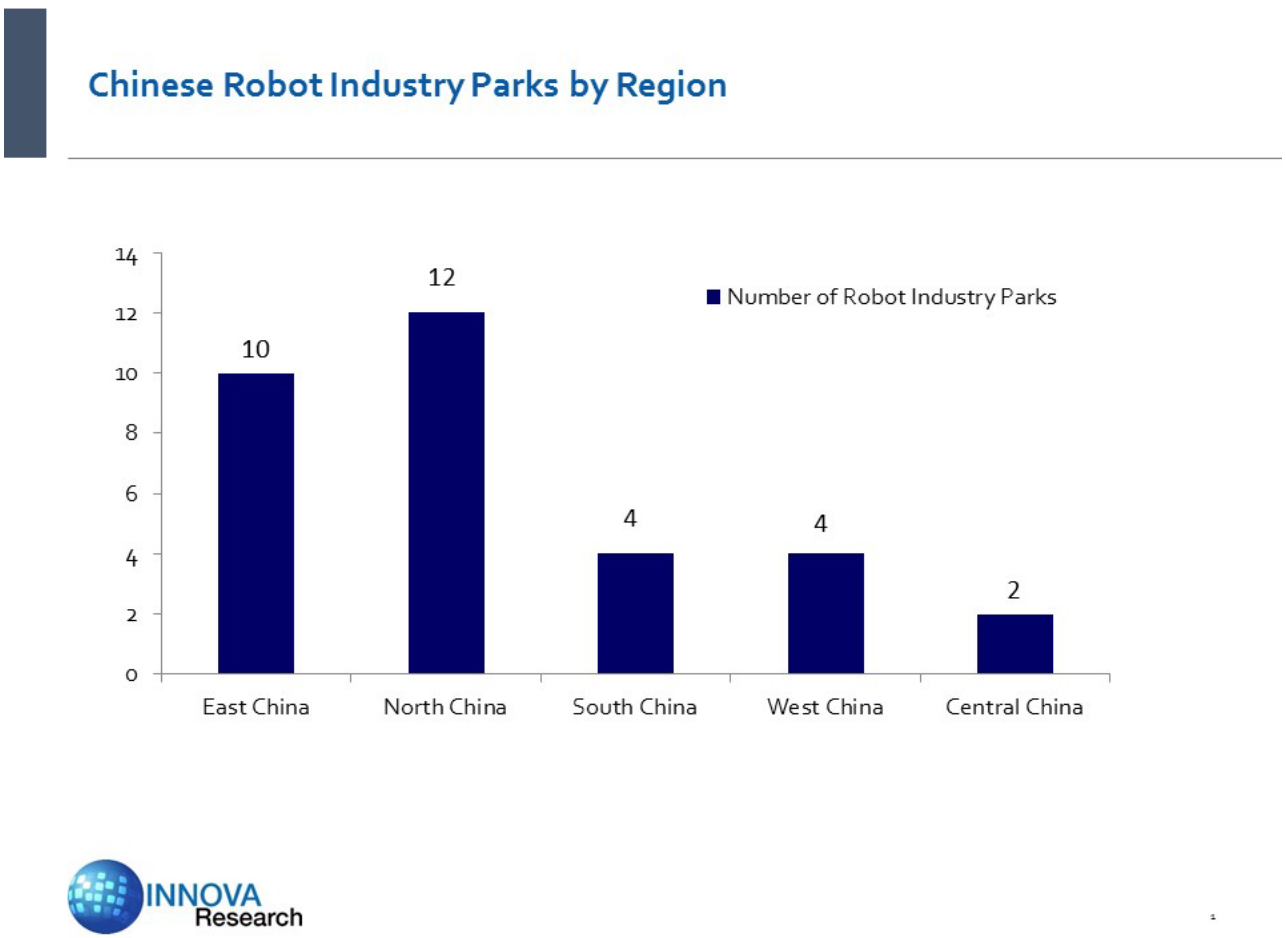
Signs of Overheating in Robot Industry Parks in China?

SHANGHAI, CHINA – September 14, 2016 – According to the latest survey by Innova Research, at the end of August 2016, 32 robot industry parks have been planned or already set up across China by municipal governments in 14 provinces. The rising of robot industry parks signals that the "replacing human with machines" tide has come to China.



The quickly changing landscape in Chinese manufacturing is driving this wave. A large portion of the Chinese manufacturing companies sit at the low-end of the industry value chain with narrow profit margins. The rapidly growing labor cost in China is further depriving them of profitability and competitiveness. Meanwhile, with the Chinese population aging and the demographic dividend disappearing, the increasing labor cost in China is unlikely to turn lower in the foreseeable future.

Robotics is one of the feasible alternatives to human labor. In 2015, Foxconn, the largest electronics OEM supplier in the world, announced an ambitious plan to adopt one million robots amongst its manufacturing sites in China and other Asian countries. This example is expected to be followed by many other manufacturing companies in China. Encouraged by this trend, a number of local governments are introducing various subsidy plans to cultivate local robot companies to grab a share in the growing industry robot market, inadvertently adding fuel to the fire. Favorable policies include to refund a certain portion of the robot costs to the companies purchasing their first robots, and to give cash reward to robot companies successfully sold their first robots to clients. All these make the Chinese industry robot market very attractive to industry robot suppliers across the world.

Although the rapid growth of the industry robot market in China is almost a certainty in the next few years, the future of the robot industry parks is not all looking as bright in the near future. Since the Chinese industry robot market is occupied by just a few world leading industry robot companies, such as ABB and KUKA, the number of successful local Chinese robot companies, in either the industry robot or service robot fields, is still small.

Richard Jun Li, Vice President of Innova Research commented: “At this stage, thirty-two robot industry parks are probably too many. The over-supply on the robot industry park spaces will likely result in the elimination of quite a few of these parks, and the robot industry parks close to large client bases, and/or with strong R&D resources are likely to survive in the future. It will come down to their ability to attract and cultivate successful robotics companies for many of these parks to either thrive or wither.”

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