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Warehouse Automation Growing, But For How Long?

- Research from Interact Analysis outlines potential challenges ahead for warehouse automation market
- Double-digit growth forecast for 2019 and 2020
- However, headwinds expected in 2021

London, UK, August 2019 – Market intelligence firm Interact Analysis has published new research looking at the future of warehouse automation.

The in-depth report reveals how, during the past few years, the warehouse automation market has seen double-digit growth rates driven, in part, by the rise of e-commerce and omni-channel retail. Growing consumer demand for faster and cheaper online delivery options has seen many retailers investing in warehouse automation to reduce order processing times and to cope with the increasingly complex network of distribution channels.

The findings show how, in addition to the logistical complexities of online order fulfillment, labor availability has also been a significant driver for automating warehouses. With the US unemployment rate currently at 3.8%, recruiting and retaining qualified staff is plaguing retailers and manufacturers alike. This especially affects those exposed to e-commerce, where demand is more difficult to forecast and the seasonal spikes in demand can be several times higher than the rest of the year. In light of these circumstances, many retailers and manufacturers have implemented automation to alleviate some of these pressures.

The recently released market report forecast that the warehouse automation market will grow at a CAGR of 12.6% over the next five years; however, the firm also predicts a temporary dip in revenue growth between 2020 and 2021. It outlines how, with the growing trade tensions between the US and China, coupled with slowing demand in Europe, the global economy is looking increasingly vulnerable and many businesses are delaying capital expenditure. This is reflected in warehouse automation vendors reporting a sharp drop in their order intake.

Elsewhere, the report provides insight into slowing market growth. With forecasts demonstrating the potential to slow in 2020 and in particular 2021, service, maintenance and aftermarket sales will become an increasingly important part of system integrators' business models. Service and maintenance contracts are paid on a predictable and recurring basis which means that as the installed base increases, the revenues generated from service and maintenance contracts also increase over time. This alleviates some of the pressures from weaker order intake in the short-term. Furthermore, while the typical margins for equipment sales tends to be between 3% to 5%, margins for service and maintenance can be as high as 15% which has a positive impact on profitability.

Rueben Scriven, market research analyst at Interact Analysis, said: “While most system integrators will encourage their customers to take out service and maintenance contracts, the contract length and the level of service provided can vary significantly. The propensity for customers to take out service and maintenance contracts is typically linked to a number of key factors, including geography, the type of company and its business model.

“Looking at the wider picture, there is reason to be optimistic. While order intake for large warehouse automation projects may be slowing in the short-term because of political and economic uncertainty, we forecast the market will return to double-digit growth rates by 2022 following the dip in revenue growth between 2020 and 2021. In the mid- to long-term, the logistical pressures which e-commerce puts on distribution networks and the growing consumer demand for faster and cheaper online delivery options will drive long-term and sustained growth in the warehouse automation market.”

About the warehouse automation report

The Future of Warehouse Automation – 2019 provides an in-depth assessment of the market at an unprecedented level of granularity forecasting the market by region, country, end-user industry, channel, function, storage-type and project size. Furthermore, the report provides detailed discussions and commentary on emerging technology trends such as robotics, modular and flexible solution design, drone technology, and digitisation. Lastly, an in-depth competitor analysis is provided with market shares at the regional and industry level, along with insight and analysis on the competitive landscape and how this is changing.

During our six-month research period, Interact Analysis interviewed and surveyed over 40 of the leading warehouse automation system integrators, suppliers and end-users, to build an accurate and holistic understanding of the market and its growth potential.

To learn more, visit: <https://www.interactanalysis.com/the-future-of-warehouse-automation-2019/>

About Interact Analysis

Interact Analysis is an international provider of market research for the Intelligent Automation sector. Our team of experienced industry analysts delivers research into three core sectors: industrial automation, robotics and warehouse automation, and commercial vehicles. Intelligent Automation – which is the integration of artificial intelligence and automation – will change virtually every industry imaginable. This combination enables greater efficiencies, productivity, convenience and scale. It has the potential to drastically alter the outlook for many traditional industries such as manufacturing, healthcare and automotive as well as to lead to the emergence of entirely new industries.

To learn more, visit www.interactanalysis.com