

| Editorial |



by Gang Hao Chang, Vice Editor-in-Chief of Fastener World

◆ The Demand is About to Return. Restructuring Industrial Strategies is a Must

It's been almost a year since the global industry suffers from the unexpected outbreak of Covid-19. Over the past few months the pandemic development in many countries remained very unstable, some of them even went into the 2nd surge of the pandemic curve, upsetting the operation of almost every industry. As a result, the end of the pandemic seems to become a wish of everyone at this moment. To take a glance at the statistics recorded this September through October, the supply and demand of the fastener industry seems to have appeared a sign of vibrant recovery. Such a piece of good news not only has significantly enhanced many companies' confidence in future development, but also has accelerated their plans to make preparations for the foreseeable post-pandemic period.

In this Nov. issue, we feel very honored to have many major fastener association presidents from Europe, America, and Asia joining to share their valuable feedback and point-of-views on the current challenges the global industry has been facing and possible opportunities. Through their first-hand market observation, we hope that it can offer some suggestions to the global industry after the pandemic is over.

EFDA: "We have seen a decline in demand in many industries on the customer side. Especially the automobile and the machine construction industries have been hit particularly hard by the pandemic. Many fastener distributors agreed to postpone the dates of delivery as the demand by their customers declined. But there seem to be first signs of recovery in September. Electro mobility is definitely a growing sector, and the solar industry is strong, too. We know that the DIY sector has done particularly well during the pandemic."

NFDA: "Uncertainty is still high here in the States so demand is at best unstable. There is some level of optimism for market recovery and have heard from others that bookings/orders in Sept/Oct thus far have been favorable. Don't give up on automotive. Focus more on crossovers, SUV's and truck production, as well as electric vehicles in this category. Be nimble and quick to change course as the details change in the US economy."

NEVIB: "In the Dutch market, many industrial companies felt the effects of the Covid-19 outbreak. Especially in the field of the automotive industries. Thanks to a large Dutch government support programme, which included subsidizing salaries for companies that suffered a loss of turnover of 20% or more, so far not many jobs were lost in the fastener industry. In September, business picked up somewhat."

FIJ: "Local automotive, machinery, electrical, and many other industries with a large amount of fastener demand all faced the problem of production suspension. A stagnant status of residential construction activities in Japan was also observed. The domestic fastener demand from this March through July was around 50% less than the same period last year. The demand for automotive fasteners is decreasing, while the demand for construction fasteners remains flat."

KFFIC: "The Korean automobile industry accounts for almost 70% of total fastener demand. The ever-increasing size of the market for eco-friendly automobiles including EVs and hydrogen-powered electric vehicles will have a great effect on the fastener industry. The forecast for Korea's overall economic growth has been repeatedly adjusted, adding to the atmosphere of negative growth. We are also aware that the global economic growth is also predicted to be negative. We could reshuffle the structure of the fastener industry, or reduce the concentration on the automobile industry in the medium and long term."

FAI: "The major impact on the domestic fastener supply chain has been availability of steel wire being the raw material for industry. Though as order books kept filling in well since Aug-Sep 2020, we faced a big obstacle of steel availability. This will also be a short period as we expect major recovery starting from Jan 2021."



TFTA: “Over the past two months, the order intake, production, and shipment of Taiwan fastener industry already appeared a sign of gradual growing momentum. We have gradually felt the growth in order placements, as many of our overseas clients are running out of stock. Fasteners for sports utilities and bicycles may be some of the suitable directions for our industry to focus on in the future.”

HKSFC: “Most HKSFC members set up their own factories in mainland China, so the closure of almost all land customs at the border between Hong Kong and the mainland resulted in a significant influence to most HKSFC members and other Hong Kong businesses. The biggest influence was insufficient capacity that directly led to hiking material prices. On the other hand, the shipment time and efficiency of express and logistics service providers were also influenced. Some enterprises consider the difficulty an opportunity to further promote automated production and reduce the issue of low capacity due to insufficient workforce and save costs.”

Through the eyes of these association presidents, we realized that although in the first few months of the pandemic the global industry was influenced a lot, many industries have been gradually running out of stock since last two months and suppliers have sensed increasing pressure to replenish their stock for supplying the reactivating manufacturing with materials and parts. With the growing market demand and the optimism toward the possible post-pandemic industrial restructuring activities by 2021, business opportunities in automotive, solar, outdoors & recreational, home improvements and DIY industry sectors remain strong and these sectors are also where enterprises can focus on more. In addition, in response to the new demands created by new industries, the industrial development may also appear a wave of transformation. Avoiding relying heavily on one single supply source, introducing more precise and faster automated production and multiple supply chains, and making the most of local governments’ industrial relief/training/upgrade programs will also play a key role in boosting the competitive edge of the industry and maximizing the disposable cash flow in the future.

◆ Through M&A or Strategic Alliance, Small Enterprises Can Also Fight Against Big Companies

Despite the fact that there are a few worldly-known multinational fastener giants specialized in distribution or a diverse range of businesses, most of the fastener businesses are still SMEs and their capital and sales approach are not as large-scale as those of IT or Hi-Tech Medical Industries. However, if small enterprises can combine resources of each other and enlarge the scale of capital through M&A or strategic alliance, or even going publicly traded, the general purchasing and sales efficacy they are going to achieve may be even better than that of a big company.

Thus far, M&A or strategic alliance have become very mature and have been quite popular ways in Europe and America to expand the business to new markets or extend reach to other industry sectors. Many successful stories have been also frequently heard in these regions. Würth, Bossard, and Bofab are some of the good examples. However, in Asia or Southeast Asia, M&A and strategic alliance are still not that frequently seen and only a few of companies have done or are willing to do so. A huge amount of money is not always required in acquiring a company, as in many cases the transaction is usually completed via stock conversion and only very little percentage of the transaction will be paid in cash. The most successful two cases of Taiwan should be Ta Chen’s acquisition of U.S. Brighton-Best and QST International’s buying the assets of German ESKA. The former originally being a supplier of pipes and tubes successfully extended

its reach to U.S. fastener distribution network through acquiring U.S. largest fastener distributor, while the latter successfully reinforced its deployment into the supply chain of European car manufacturers through acquiring the world’s only two suppliers with capabilities of mass production of aluminum alloy automotive fasteners. Through these approaches, companies can integrate the entire supply chain more easily and enter the market quickly and attract more capital investment and participation of skilled talent. For one thing, companies can obtain higher-end technology and service, for another, they can also gradually increase their business scale and market to compete with other big companies.

The cultures of Taiwanese fastener companies have been widely separated for so long. They are usually not willing to establish collaborations or strategic alliance with each other. However, many stories of our predecessors tell us that if one chooses to build a cart behind closed doors, he cannot easily find out the defective parts. On the contrary, if one can be open-minded to embrace other collaborators and establish partnerships with them, their defective parts can be soon found out and improved, creating the multiplier effect. Take the currently popular car brand Tesla for example, a lot of car manufacturers originally did not hold an optimistic view on its future development and were not willing to invest in this area, so when Tesla reached the top, they finally found that they already lost the chance to take the lead in the market. In addition to Taiwanese companies, many fastener companies not based in Europe and America should also seriously consider the applicability of these ways. If you are a business runner, would you like to be a market creator or a market follower? It all depends on your decision. ■


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