

Making the Most of Accessible Resources and Focusing on Finance & Strategy for Sustainability

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For the last year, almost all markets and economies in the world have been hard hit by the Covid-19 pandemic. However, with some countries starting to get their people vaccinated in recent months, it seems that the cross-border travel ban can be expected to be lifted soon someday. Many industry professionals also expect optimistically that the European and U.S. markets may gradually get back to normal in the 2nd half of 2021 at the earliest if the pandemic can be gradually under control and the vaccination can be faster and more efficient. On the other hand, Asian markets may also get back to normal soon after China, Japan, S. Korea, and other major countries in the region activated their vaccination schedules. This is not only good news to all industries, but also a timely rainfall to the global fastener industry. Moreover, with the current better performance of the global car manufacturing industry and the increasing demand for machines, it is estimated that the entire industry will be boosted to grow in a positive way as well.

Some Taiwanese companies told Fastener World that although Taiwanese fastener industry did show some good signs of market recovery in Q4 2020, it was still suffering a loss if the referenced timeframe is extended backward to the day-1 of the pandemic and certain external factors like exchange rates and manufacturing costs are taken into consideration. However, we still saw many companies (which are not only local Taiwanese companies, but also indispensable partners for the world) working really hard to weather the difficult time. In addition, the performance of Taiwanese IT industry (especially the biggest one, TSMC) in recent 2-3 years has been quite impressive as well. Their collaborative partners are also active in looking for empty lots for industrial use around Taiwan to establish plants, indirectly resulting in the rocketing price for land held by many traditional industries. Some fastener suppliers even made humorous remarks, saying “Now we’ve got more bargaining chips to ask for higher credit line from banks.”

However, on the basis of the global fastener supply chain, which hasn’t appeared any significant change yet, we have some suggestions and advice to share with Taiwanese companies. Below are 4 major issues which we observed and think Taiwanese companies should be aware of.

1. The High-cost Era Has Come

The low-cost era companies experienced over the last decades has gone, and the high-cost era featuring rising prices of many things has come. The costs of plant establishment, employment, electricity and materials are also rising year after year. Plus, the appreciating New Taiwanese Dollar is influencing companies’ export competitiveness and reducing their profit margin, and the stricter environmental protection regulations are pushing up the investment costs as well. It is estimated that under such a trend the manufacturing costs of companies in the near future will still go up and the pressure brought by high costs will grow stronger day after day. Companies should learn how to adapt to these situations and be active in figuring out ways to create more profit margin. Below are some suggestions for companies.

- Re-examining Every Sector Within the Company

Medium-to-large sized companies not only can consider establishing overseas plants to reduce costs, but also can take the opportunity to re-examine their manufacturing procedures,



production/sales/operation management, facility utilization, find out unnecessary waste and review if the current cost benefit is within the acceptable range, in order to optimize their labor/equipment/quality management, tap new resources and economize on expense, and extend the service range. In addition, companies should review the quality of their existing products and service and think about how they can do better to serve existing customers. After then, they can think about how their existing products can be used to serve new customers from more industry sectors (e.g. EV, wind power, medical, etc.). After getting in touch and establishing collaboration with the new customers, companies should go back again to re-examine their capabilities and facility utilization, and check if there is still any possibility to develop new products for new customers' demands. And finally, companies should again go back to re-examine if these new products can also create demands from existing customers. The era in which companies kept passive waiting for customers' orders has gone, so companies should set up their own goals and expectations, be active in creating profit margin and try their best to improve customers' service.

- Vertical and Horizontal Development

Currently, the industry puts much of its focus on the one-stop service, so maybe companies can try to look for more business opportunities vertically or horizontally on the existing basis. We also have noticed that some Taiwanese companies are going toward that way. For example, fastener manufacturers can not only consider vertically extending service to electroplating, heat treatment, packaging, or direct distribution, but can also consider extending business reach to wire sales. With the extension to wire sales, companies can use them for self-manufacturing or sell them to increase their revenue, and most importantly, increase their wire supply quota offered by steel plants. Or, companies can choose to widen their product range (e.g. adding screw manufacturing into its current nut manufacturing) or even step into a completely different industry sector, all which are good approaches to extending service and creating more competitiveness and profit margin. However, companies have to evaluate their actual capabilities first before putting into practice or choose suitable partners to collaborate with.

- Mastering Quality and R&D Capabilities

For other small-to-medium sized companies, it is suggested that they should follow the existing model, which is to keep good quality control and R&D capabilities and adopt suitable marketing approaches to consolidate customers' loyalty and satisfaction, as there are still many possibilities for them to discover. Since the variation of a fastener is unlimited, if small-to-medium enterprises can master their own technology and dedicate themselves to R&D, they are definitely able to continuously take the lead among other competitors from emerging markets for a certain period of time.

2. Increasing Significance of Financial and Development Strategy Management

Years ago many companies with a certain level of technique and R&D capabilities could enter markets to sell their products easily. Later, with the markets getting bigger and becoming more competitive, the



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marketing strategy is also getting more important. In recent years, we have noticed that several companies are gradually focusing more on finance and strategy development. For example, through acquisition and making further investments, companies can keep pace with the market, create demands, and obtain customers' trust and recognition. As stated earlier, relevant costs are increasing day after day, so by establishing a healthy financial system in the company to attract more capital investment, companies will have more capabilities and strength to compete with competitors and create for themselves more bargaining chips.

3. Introduction of AI Automation

The idea of "Lights-out Factory" or "Fully Automated Plant" is not something new to the high-tech industry but traditional fastener manufacturing plants. Through upgrading equipment & facilities and introduction of AI technology, plants can greatly reduce the costs and demand for labor force. And, as automation features both stability and consistency, the external impacts caused by "humans" on production will be greatly reduced. If AI automation is used properly, manufacturers can achieve real-time manufacturing schedule and capacity adjustment according to customers' demands and establish highly efficient plants offering stable quality. For Taiwanese companies which are not only facing challenges from Europe, the U.S., and Japan, but also facing competition from China, India, and Southeast Asia, this is definitely the best approach to quickly defeating competitors, creating significant differences from others and winning the trust of customers on the market.

4. Actively Exploring and Smartly Utilizing Resources from the Government

For those large industry-leading companies, it may not be a problem for them to raise funds and obtain resources. However, for Taiwanese fastener companies which are mostly small-to-medium enterprises, how to raise funds and obtain suitable resources will be quite important. In addition to obtaining more resources via the aforesaid approaches to making further market deployment, it is suggested that companies should also make the most of resources offered by the Government to forge industrial development ahead. For example, MOEA, MOST, MOL, and other government bodies of Taiwan responsible for industry-related affairs, basically, all provide abundant resources available for application. These resources can offer constructive assistance to companies for their future product and company upgrade, but it depends on whether the companies can utilize them smartly or not. Qualified companies definitely shouldn't give up these approaches and should be active in exploring more resources to create opportunities for themselves.

The pandemic is a test to the competitive edge of every company and only an extremely few number of companies failed in the test. Facing the upcoming globalized post-pandemic era, companies will definitely encounter more capable competitors from other countries. With so many challenges ahead, what companies should do first is to re-examine their internal management and make positive improvements and satisfy demands of existing and new customers. If possible, they can also consider stepping into a completely different industry sector and try to become one of members in the international supply chain. In addition, they should also make the most of accessible resources and find out their own development way. With all these efforts, they can thus quickly pave the way toward profit and sustainability in such a high-cost era. ■

