Special Project

# How Global Leading Fastener Companies See the Trend in 2014

compiled by Fastener World Inc.

**In this yearbook, the Editorial Dept. has arranged a Q&A interview with global leading fastener companies specifically for our readers worldwide. We believe their insight into the industry shaped by their years of experience and expertise will lead you to see the recent trends and future prospects of the industry.**

Mr. Jörgen Rosengren
CEO of BUFAB

Mr. Werner Deggim
CEO of NORMA GROUP SE

Mr. Kenny Huang
President of TYCOONS

Mr. Kent Chen
General Manager of SHEH FUNG

Mr. Jim Barker
CEO of TRIFAST

Mr. Tak Saima
President of SAIMA

# Q1

**In 2013, the US economy continues to recover and its manufacturing industry is getting back on track; however, the economy within the euro zone is still deeply trapped in the recession. With the impact of global economic turmoil, what do you think about the performance of the fastener industry in terms of changes in the overall production and sales this year?**

**Mr. Jörgen Rosengren** : Bufab is a leading supplier of components and services in sourcing, quality and logistics to the manufacturing industry worldwide. Our biggest market is Europe. Most of Europe experienced a significant step down in demand in the second half of 2012, from which it has been slowly but surely recovering since then. That has meant that the first half of 2013 was weaker than the first half of 2012. In the second half, we expect a return to robust growth, as companies are slowly increasing production on the back of better order inflow.

**Mr. Werner Deggim**: Overall, the performance of the industry and of NORMA Group matches our expectations for 2013. The global economy has still been characterised by uncertainties and the European economic region, in particular, by volatile developments in the manufacturing of cars and trucks. Under the given circumstances, NORMA Group presents a sound first half year 2013. The European market demonstrated significant growth in spite of the volatile macroeconomic environment. It was driven by the ramp-up of new motor generations in connection with the introduction of the Euro 6 emission standards. Also in the emerging markets, growth opportunities are driven by increasingly sophisticated engineered joining technology requirements, e.g. through tighter emissions regulation.

**Mr. Tak Saima** : We think there are generally 3 types of sales routes for the Japanese fastener industry:

1. Routes targeting at larger industries such as the automobile industry. (Professional makers sell directly to customers)

2. Wholesale routes that mainly focus on Osaka.

3. Trading companies' routes that sell to customers.

We are the company that adopts the 2nd and 3rd routes above and sells niche products. Given that we sell in extremely small lots, our revenue is not so much affected by material fluctuation and external changes. Because we are somewhat affected by the depreciated yens, more and more companies from the Middle East and Africa are placing inquiries to us for the first time, and our sales targets in Africa and Europe are thus increasing as well.

**Mr. Kent Chen**: According to the analysis made by Industrial Research Department of Metal Industries Research & Development Center (Taiwan), the export volume in the first half of 2013 grew by 2% over the same period last year. The export value, however, declined by 3% over the same period last year due to steel prices drop and poor order prices. The industry is conservative and expects the performance in the second half to remain the same. The total export in 2013 will only grow by 1-3% as compared with 2012.

However, the US Fed has announced the suspension of QE withdrawal, which is undoubtedly great news for operators keeping their major markets in the US. This means that the demand in US housing market will continue and the construction industry demand for fasteners will continue to be stimulated. On the other hand, the automotive market continues to grow, which is another good news for the auto fastener makers. Therefore, winning orders from US market will be one of the main tasks in Q4. For the European market, the growth of exports in July lifted the month to record high, which is a sign of return to stable exports to the region.

Continuous attention to the development of the European market and trying to win orders will be the important issues for the fastener industry.

**Mr. Jim Barker**: The year started with a high degree of nervousness within the industrial communities. Uncertainties as to whether the banking crises had been properly fixed? What would happen to the Euro? Would the Chinese economy slow down further or just have a soft landing, and would consumer confidence be restored? As the year progressed, however, confidence started to be restored and consequently industrial output increased and our industry benefited from higher demand. I think that 2013 will be a reasonable year!

**Mr. Kenny Huang**: Currently, Tycoons Group Enterprise Co. Ltd. ("Tycoons") focuses its market primarily in Europe (including Eastern Europe). As we observe, Western Europe and Russia are greatly affected by the overall economic environment, and there still shows no sign of recovery in a short term. Hence, a slight decline is shown this year. As for economies in Eastern Europe, for example, Ukraine, Czech Republic and Poland, which are less affected by other regions, they continue to grow at about 10%.

## Q2

Looking into the future, what will you expect about the fastener industry in 2014? What is the future trend and challenge for 2014 in terms of market change, external factors, market supply & demand, or global cooperation? How will you adjust procurement, R&D, or proportion of sales and production?

**Mr. Jörgen Rosengren**: Macroscopically, Bufab expects 2014 to be significantly stronger than 2013. Already now, we can see the beginning of this trend both in our own order books and in the conversations we have with customers. Of course, this optimism needs to be tempered with caution. Nobody knows what will happen to the American fiscal or monetary policy, nor how the situation in Europe will develop. However, we regard the uncertainty and the downside risk as smaller today than 12 months ago.

We also see that many of our customers have held off on stepping up production plans, and have kept inventories lean. Therefore, we expect a relatively quick translation from an uptick in customers' sales to increased production schedules, and hence to increased sales for our own industry.

**Mr. Werner Deggim**: Megatrends like growing environmental awareness, tighter emission regulations, increasing energy costs and higher cost pressure for producers are still driving the fastener industry. These trends cause a change in customers' requirements with regard to weight, assembly time and the modularization of production processes. We estimate that these requirements will raise the demand for engineered joining technologies used in customer end products. For instance in the automotive industry, exhaust treatment (SCR) will remain important in order to reduce emissions. The trend towards hybrid or electric cars will continue to increase the need for lightweight components.

The market for engineered joining technologies offers attractive growth opportunities, not only with distributors, industrial suppliers and OEM clients, but also in a broad range of other industries such as plumbing, irrigation, agricultural and construction. We have also identified water management as an attractive growth area particularly in the emerging markets such as in Asia-Pacific. We have thus recently enlarged our product portfolio by acquiring a Malaysian and two Australian companies focusing on the production and distribution of pumps, fittings and valves for freshwater distribution, irrigation, agricultural, plumbing and industrial markets.

In addition, we are building up production capacities in the markets where our customers are, such as the recently started plant in Brazil, in order to gain an even better access to them. Furthermore, we continuously expand our distribution network and add to our product portfolio.

**Mr. Tak Saima** : Assembly plants in Japan mostly manufacture small-lot and diversified products. Customers that wish to expand overseas operations and demand for screws are currently making local procurement. We think that in the future the industry should base itself on the effect of depreciating yens, and challenge itself again on exporting Japan-made screws. So far Japanese corporations are only willing to do business with Japanese partners. It would be better if Japanese corporations will broaden sales globally just like the corporations back in the 1970s. Therefore, we are proactively participating in overseas exhibitions, magazine promotions, and web activities.

**Mr. Kent Chen**: In 2014, there will be two major markets worth continuous attention. One is the US market, the biggest export destination for Taiwanese fasteners. Although the suspension of QE withdrawal can still boost the demand in Q4 2013, the closure of US federal government may be a big problem. Whether this political deadlock will continue to impact the domestic US economy or not, the 2014 demand is really worth our attention.

The other is the EU market. Whether EU will continue to levy anti-dumping duties on China is a big factor affecting fastener exports to the market. By the end of this year, the EU Commission will conduct a sunset review on the anti-dumping duties against Chinese fasteners. Even with a good prospect for next year, if the EU decides not to levy the anti-dumping duties on Chinese fasteners, the fastener exports from Taiwan to the EU will face a major decline. In view of this situation, the growth of the fastener exports to the EU in 2014 is tied to whether China will be subject to the EU anti-dumping duties.

For Sheh Fung, as a fastener maker, the continuous investment directions, which will stretch beyond next year, require the true implementation of self-management. For example, we need innovative approaches in terms of production cost reduction and progressed service functions so the customers can enjoy low-price and high-quality products; a flexible logistic and warehousing management system adapting to the market conditions is a goal worth working on so we will continue to meet the customer needs without being affected by uncertain market factors.

**Mr. Jim Barker**: In my view 2014 should see a gradual improvement in the banking sector. With profits being restored the banks should have the appetite to loan more to the manufacturing sector and make credit more available to consumers which will give a boost to the industry. It is inevitable the QE (Quantitative Easing) will have to slow down and the question will be whether this can be achieved without damage to the economy.

Protectionist measures such as "anti-dumping" and "anti-subsidy" regulations are a tax on the consumer and do little to help the businesses they are set up to protect. All that happens is that sellers and buyers look to countries that are not affected by the legislation to satisfy their demand, so my hope is that governments remove any unfair subsidies to their industries consequently removing the need for trade restrictions. We all want free and fair trading.

**Mr. Kenny Huang**: For 2014, we think that we can continue to strengthen the development in Australia and certain emerging markets including Brazil and Eastern European countries. The Australian market is less susceptible to interference from recession of European economy, and Taiwanese manufacturers are still in the process of understanding product demand of the Australian market. Meanwhile, whether Europe continues to impose antidumping duties on China or not, next year is a major obstacle for Taiwan fastener industry. This is because imposing such high duties will result in the reshuffle of orders from China to Taiwan. Once the duty is relieved, the market share of Taiwan fastener industry in Europe will greatly decline.

In addition, Tycoons' product line in Taiwan may gradually shift from the production of small screws to high-end products, which can create higher outputs and profits.

## Q3

**In 2013, the potential of the fastener industry in emerging nations continues. Market research company Freedonia points out that the annual growth rate of Asian-Pacific fasteners will reach 7.4%, and this has prompted ASEAN fastener makers to expand business operations. In the future, Asia-Pacific and Latin America will turn into the main region for fastener market growth, with an expected annual growth at 12%. Which particular region do you think has the biggest potential for company development? Does your company have any plan to go into that region? If your company is already developing in that region, could you tell us your current status there?**

**Mr. Jörgen Rosengren**: Bufab is already present in the ASEAN region since many years. We serve customers in a large number of countries both by export business, but primarily from our several offices in China, Taiwan, India and Singapore. In this way, we are serving both the ASEAN plants of European and American customers, as well as local ASEAN customers.

But we do intend to expand our activities further. Apart from the obvious potential in the huge Chinese market, we also get a lot of requests for increased support in India on the one hand, and south-east Asia on the other. In other words—plenty of opportunities! To secure these opportunities, ASEAN is the region within Bufab where this year we have been expanding our staff and structures the most.

**Mr. Werner Deggim**: NORMA Group has been present in Asia-Pacific since 1992 with a subsidiary in Australia. From then on, we have continuously expanded into this region with the foundation of distribution and manufacturing sites in China, India, Malaysia, Korea, Thailand, Japan, Vietnam, Indonesia, Philippines, and in Singapore. We establish ourselves as technology leaders there and profit from the region's growth potential. In recent years we have expanded our Chinese manufacturing site in Qingdao and look to further expand our production capacities to other regions in China. To accommodate the growing demand for our products in the Asian markets, we also built a new plant in India. In addition, we are continuously striving to address the "white spots" in our product portfolio and global footprint. In 2012 and 2013 we acquired three companies in Australia and in Malaysia which enrich our product portfolio with joining solutions for water management. We also see growth potential in Latin America where we opened a sales and engineering office for South America in Brazil in 2011. In September 2013 we started to build up production in this market and expect to commence production in 2014.

**Mr. Tak Saima**: Japanese corporations, including our company, are looking forward to the expansion in the Asian markets. Our company exists in the very limited niche market, so if a region has well-established infrastructure, a certain level of national income, and higher production and demand for highly functional products, our definitive business opportunity will show up. We are interested in nations or regions with GDP above USD3,000, and we are looking for other companies that are willing to make partnership.

**Mr. Jim Barker**: The fastener industry is global! For instance the European fastener manufacturers cannot supply the demand in the EU so global partners are a vital part of the supply chain.

Having been established in Asia for more than a decade we are well positioned to take advantage of future growth; I see the ASEAN countries offering growth opportunities as well as China and India.

Mr. Kent Chen: Since Taiwan is not a big market, for Taiwanese fastener operators, the main battlefield has always been the global market. The local players have the geographical advantage and the ability to meet the domestic demand both in prices and quality. The opening up of Taiwanese market to the Chinese fastener products enjoying zero tariff benefit will have little impact on the domestic market. For this issue, both the government and private sectors must act the role of a supervisor to prevent the inferior quality Chinese fasteners from being used by malicious operators in the major public work projects or private constructions in case of affecting the lives of the general public of Taiwan. Another issue concerning the reputation of Taiwan fastener industry is to prevent the manufacturers from re-exporting these products to countries implementing anti-dumping measures on China. This requires the well-implemented measures of the government and vigilance of the local fastener industry.

The upcoming zero-tariff trade of steel products between Taiwan and China is actually good news for the local fastener industry as the vastness of the Chinese market and expansion of the infrastructure powered by the economic growth should make China one of the major emerging markets for Taiwan fastener operators. Especially after the cancellation of tariffs, the high quality bars and wire materials provided by Taiwan's China Steel should be able to satisfy the Chinese market. The entry into the Chinese market will be one of the directions for Taiwan fastener operators.

## Q4

In the future, if fastener imports from China to Taiwan can enjoy the tax-free benefit, how should Taiwan fastener industry maintain its competitiveness in the market in response to this strong wave of low-pricing, while taking product quality into account?

Mr. Kenny Huang: I think that the low-price marketing strategy of manufacturers from China will only have little impact on Taiwan fastener industry. Main reasons are:

a. Taiwan produced about 1.4 million tons of fasteners in 2012, 90% of which were for exports and the remaining 10% for domestic applications. Therefore, the main battlefield for competition is in foreign countries instead of Taiwan, meaning that the impact will be minor.

b. Fastener manufacturers of Taiwan have always put lots of emphases on product quality. For fasteners used in construction and automotive industries, which are going to be imported into Taiwan, their quality has to comply with Taiwanese and global regulations. After all, these parts are of great concerns to human safety, and are not to be replaced by products made of inferior materials or non-regulatory compliance ones.

In view of this, in addition to continuing its strict product quality policy, Taiwanese fastener manufacturers should also educate customers, so they can tell the difference between using good quality products and non-regulatory compliant products; manufacturers should not risk their hard-earned reputation just for the sake of short-term profits.

## Q5

What do you think is the most important element to achieve business' sustainability?

Mr. Kent Chen: To achieve "sustainable operation", the first requirement is to have continuous profits and growth. However, given the current conditions, the over-intense competition among businesses and the change of the global situations can lead to the "disappearance" of the businesses.

So, how should a business maintain its growth and profits? Innovation of the enterprise should be the first thing to do. Enterprise innovation can be approached from three aspects: product, system and management. The most important element for the implementation of these 3 aspects is talent. Under the old corporate structure, it is easy to develop a talent for a specific field, but not easy to foster a talent for multiple fields (i.e. people who can integrate the resources of the business).

Generally speaking, a general manager is the talent to put together all the corporate resources. However, when a business organization reaches a certain scale, the general manager alone can be overwhelmed as various complicated issues arise from the overall operation. Since many work processes begin to involve cooperation across multiple departments, any misjudgment can lead to wrong decisions which may result in the loss of the business.

For the fostering of top executives, Sheh Fung does not only focus on their own expertise, but also focus on the execution of many cross-department projects, allowing them to acquire the professional skills and knowledge through resource integration as they preside over the cross-department projects. By doing so, the successive top and middle management team can have the innovative capability to cope with the fast changes and maintain the growth. The fostering of talents should be the main task of businesses for a sustainable operation.

Mr. Kenny Huang: It is rather difficult to sustain a business. We saw the century-old Kodak misjudge the trend of digital cameras, making itself stuck in the traditional film market and ultimately go into bankruptcy.

I think the elements for a sustainable business are "employees, stability, development, and profitability."

**Employees**

Employees are the greatest assets of a business. For a business to operate and make profit, the effort must come from nothing but employees. Tycoons has always put a lot of emphases on employees' welfare and benefits; for example, we arrange on-the-job training and encourage employees to pursue advanced education (currently, two have received their master's degrees while many others are in the courses for their college degrees). The purpose is to give employees a strong sense of belonging and let them feel free from worries and concentrate on work, and enhance their professional abilities, when other forms of advanced education are provided. This can be clearly seen from the low employee turnover rate of Tycoons. Tycoons' employees take pride in being a part of the company, which I am very proud of.

**Stability**

I define this word as the managing system of a business.

The reason for a business to set rules is that during work employees will have guidelines for what they should do and avoid the losses caused by erroneous behaviors. However, the managing rules are not unchangeable; it must evolve over time to follow the current situation and seek reforms in stability.

Rules cannot be set overnight, nor is it a healthy thing to modify its provisions whenever a problem occurs. Rules are a state of mind, which harmonious development among various departments can have directions to follow, and which correct functions can be performed. There really is no reason for a business not to grow and develop continuously because of this.

**Development**

Businesses change marketing strategies based on the market demand; changing strategies will have an impact on production planning, and further generate investment behaviors (such as pouring in R&D costs, purchasing equipment, expanding sales regions, and constructing new plants, etc.).

Businesses develop in a comprehensive way. Different degrees of changes in each area of products, sales, human resources, R&D, finance and IT management according to the market or corporate strategic planning are the keys to businesses' growth and development. Therefore, businesses should develop in a balanced way instead of focusing on just one single area.

**Profitability**

The purpose of a business to exist is to make profit.

For a business to share its profits, in addition to rewarding its employees and providing future development needs, it is also important for a business to take social responsibility. There are many ways to take this responsibility, for example, many contribute to public welfare, donations and in areas of education and healthcare. Since what is taken from the society should also be given back, businesses bear huge responsibilities. Businesses have to take care of employees and their families while maintaining regular operations internally, and to bear social responsibilities externally; hence profitability is the most basic element of all acts.

## Q6 What kind of business partners are you looking for in the future? (e.g. suppliers with stable delivery dates, specific cooperative pattern, high quality fasteners or high volume shipments, companies in specific regions, etc.) What suggestions would you like to give to your future partners?

**Mr. Jörgen Rosengren**: Bufab is always looking for new suppliers to join our existing global supplier base of more than 2,000 suppliers.

Our strategy is to develop and manage a preferred supply base that enhances both the success of our customers and our own long-term competitiveness. That can only happen if we manage to also contribute to our suppliers' success. It must always be a win-win partnership.

We seek to grow our business with suppliers that

•Share our ambition to continuously improve quality, deliveries and total cost

•Will invest in a long-term relationship with Bufab and value the access to our worldwide business opportunities

•Commit to our principles of Corporate Social Responsibility.

**Mr. Werner Deggim**: We are looking for business partners who can add value to our business. This applies to every part of our vertical value chain, whether in product development, distribution, or when entering new markets.

**Mr. Tak Saima**: We want to cooperate with global "niche players". We want to sell extremely special screws specifically to those small-lot companies that are specialized in web sales, catalogue sales, and mail orders. Generally, standard products are monopolized by major companies. Small and medium companies or family business like us must express our unique colors. Therefore, we want to cooperate with companies that have strong persona.

**Mr. Jim Barker**: The fastener industry is growing, and as such, there are great opportunities for those companies that can supply value to their customers by adopting zero-defect philosophy, production problem solving, and smart logistics.

Our partners around the world must be special, adopting a corporate and social responsibility policy that is compatible to ours, having a zero defect philosophy and being reliable in everything they do.

## Q7 For the fastener industry, is there anything else that you want to say?

**Mr. Kenny Huang**: The target market for Taiwan fastener industry should be the entire world; we should not confine ourselves into one single country or region.

We have strong R&D, manufacturing and management capabilities, and are considered world-class in terms of the strength of the overall industry. But observing the industry when facing low-pricing strategy conducted by China and Southeast Asian countries, our manufacturers fail to fully unite themselves and play to their inherent advantages; instead, they are caught in a war of price cutting. In order to compete with their counterparts, Taiwanese manufacturers turn to focus on reducing production costs, ignoring the original R&D, personnel training and management procedures. In contrast, for manufacturers in China and Southeast Asian countries, they continue to enhance their own management, manufacturing and R&D capabilities, and have gradually caught up with the pace of Taiwan. This issue really needs our deep reflection and attention.

I think we should be working towards product differentiation and specialization, and utilize our advantages to create a dominant position in specific areas for the survival of Taiwanese fastener manufacturers in the world.