

## Marketing and Strategy of Large-Scale Fastener Companies in ASEAN

### ASEAN Business Delegation and Future Investment

By increasing demand for fasteners and polyvinyl-chloride (PVC) packaging materials in the Asia-Pacific, ASEAN and the Middle East trigger ASEAN manufacturers to develop their business by this year among the challenging global economy. Based on the report from 2011 to 2016, the Asia-Pacific region would record the fastest demand gains averaging 7.4% a year, driven primarily by the strong Chinese market, that would progress at a fast pace in spite of moderating from the 2009-2014 rates.

Meanwhile, ASEAN has been expecting greater investment from China. "The foreign direct investment flow from China to ASEAN increased significantly by 117 percent from \$2.7 billion in 2010 to \$5.9 billion in 2011. However, we have to say that ASEAN still invested more

in China than China's investment in ASEAN," according to Ngurah Swajaya, permanent representative of Indonesia to ASEAN, said at the Asian Financial Forum (AFF). During the recent years, the relation between ASEAN and the world's second-largest economy has deepened. China is considered the largest trade partner for ASEAN and ASEAN is the third largest trade partner for China. Statistics showed that the mutual trade between ASEAN and China augmented by 20.9 percent from \$232 billion in 2010 to \$280.4 billion in 2011. In 2013, both sides' leaders came to an agreement to gain \$500 billion by 2015 and \$1 trillion by 2020. Malaysia, Thailand, Singapore, Vietnam and Indonesia are all included in the list of top 20 markets of Chinese fastener exports. Meanwhile, ASEAN's

demands for fasteners will rise even more in the next "Sparkling 10 Years". Moreover, the expansion of infrastructure in ASEAN and industries will also increase the expansion of automobiles, electronics and construction industries that brighten up the fastener demand. Michael Yeoh, co-founder and chief executive officer of Asian Strategy and Leadership Institute, called for strong collaboration between the two sides' capital markets as the 10-country bloc needs huge capital to invest in infrastructure projects and drive its economic growth. Against the backdrop of continuous weak global growth, ASEAN's economy still grew 5.7 percent in 2012 and 5.3 percent in 2013. It is also predicted that ASEAN will grow 5.6 percent in 2014.

### Future Trend of the ASEAN Fastener Industry

ASEAN is developing into the fifth largest automotive market! Asia Pacific Region Research Director, Vijay Rao of Frost & Sullivan, recently said that by 2019, the existence of ASEAN is definitely important as ASEAN is predicted to become the fifth largest automotive market. Based on the research analysis of Frost & Sullivan, the automotive market of ASEAN is expected to reach a CAGR of

5.8% to 4.71 million cars, due to the fast growing markets of Indonesia and Thailand. Rao also added that during the 2012 to 2019 period the total car production of ASEAN would reach a CAGR of 8% and break the record to reach 7.05 million cars in 2019. Meanwhile, within this region Thailand will be the car manufacturing hub. In Indonesia, most of the cars are produced domestically for local

sales, with the continuous investments of foreign companies in the local automotive industry. In addition, Malaysia also considers being the car assembly and manufacturing hub where they have already set up car manufacturing factories for OEMs from Europe and China. In fact, Thailand, Indonesia and Malaysia, are three of the major automotive markets in ASEAN, where the sales records of cars

continue to be broken. Sales in Thailand and Indonesia both broke the record of 1 million units, while the sales in Malaysia were 0.6 million units. Rao

forecast that the sales of cars in Thailand from 2012 through 2019 would achieve a CAGR of 1.4% to 1.43 million cars. As for Indonesia, the sales of cars during the

same period would be a CAGR of 10.96% to 2.3 million cars.

## Future of High-End Fasteners in ASEAN

High-end fasteners are used in aerospace, railroad, titanium alloy fasteners, high-temperature alloy fasteners, and self-locking fasteners. These fasteners also used in electronic products, along with plastic fasteners and high-performance and high-end specialty designs, are expected to have the fastest growth rate. ASEAN fastener producers have commenced to cooperate with international business partners in order to

develop new high end fasteners for any industry.

The growing demand for ASEAN high-end fasteners for automobiles and aircrafts fuelled sales of them in every market. Sales to the automobile industry were especially robust, with sales volumes hitting record highs in May as well as June. This jump was triggered by the increasing demand for automobiles equipped with energy-sav-

ing and safety features. Sales of high-end fasteners used in aircrafts were also upbeat in this region. Pivot assembly sales were driven up primarily by the growth of high-end fasteners as the market for pivot assemblies used in PCs showed a stronger-than-expected upturn. In the end, net sales of high-end fasteners for the quarter increased 23 million USD (7.4%) year on year to a total of 335 million USD in the ASEAN region.

## Last Word

During the last two years, the ASEAN economies have shown resilient growth performance supported by strong domestic consumption and investment, especially in Indonesia, Malaysia, Thailand and the Philippines. Therefore, it will support rising valuations for ASEAN equity and property markets over the me-

dium to long-term, due to rising household incomes, rapid urbanization, and strong corporate earnings growth. Many ASEAN countries will also remain attractive destinations for foreign M&A inflows, due to their fast-growing domestic consumer markets and their competitiveness as low cost manufactur-

ing hubs. This has already been reflected in surging Japanese M&A inflows to ASEAN over the last three years, with Chinese M&A flows also expected to grow strongly as rapidly rising wages in coastal China make many ASEAN countries more competitive locations for low cost manufacturing. ■

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