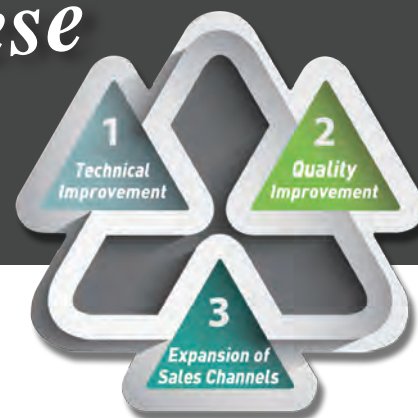




# 3 Challenges for Taiwanese Fastener Industry



Since the end of World War II, Taiwanese fastener industry has gradually made its way to take the 5th place in global production value and the 2nd place in global export volume. However, the industrial structure as a whole did not demonstrate a significant change over the past decade. Except for a few companies with some sort of breakthroughs, Taiwanese fastener industry still maintains the same past environment in terms of product, technology, sales channel, and business pattern. As an industry player who has observed such crises, I could not help but asking myself: "If we stick ourselves with the status quo and have no will to make any breakthrough, where in the world will Taiwanese fastener industry see itself 10 years after today? Will the industry environment remain unchanged? Will the product, technology, client, and business pattern on which our very existence depends be sustainable in the long term?" Here I would like to bring up 3 challenges for readers who are concerned.

## 1. Technical Improvement

Manpower, machines, materials, and methods are four essentials in production. Among them, "methods" is equivalent to techniques and is the very means that joins manpower, machines, and materials together. If the method of R&D and production is highly efficient, you will end up with higher techniques. As far as

the regular fastener is concerned, Taiwan, China, and Southeast Asia are not much different in terms of their manpower, machines, materials, and methods; therefore, the competition ends up in cost reduction and price cutting, and the winner goes to those with sizable scale. Regarding special fasteners, below is the comparison between Taiwan and its rivals in the U.S., Europe, and Japan.

● **Manpower:** Taiwanese labors are as qualified and capable as those in the U.S., Europe, and Japan. Taiwanese labors require only less than half the cost and therefore are advantageous.

● **Machines:** Machines made in Taiwan may not be the top and best in precision and manufacturing processes, but they only require 40% of the original cost, and therefore, are advantageous.

● **Materials:** China Steel Corp. offers stable quality and reasonable prices, only that it has a few types of special steel to be developed. Taiwan has no evident weakness in this regard.

● **Methods:** Technical abilities are demonstrated in new product development, mold design, and parameter configuration of manufacturing processes. Fastener suppliers from the U.S., Europe, and Japan sell their products directly to end users and their engineers and clients design collaboratively to solve application problems and thus are able to enhance R&D and

accumulate techniques. However, Taiwanese suppliers produce products according to clients' drawings and focus mostly on production process improvement, thus making it harder to enhance R&D and accumulate their own technical abilities.

## 2. Quality Improvement

Demand for fastener quality, automated assembly, and care for consumers' rights have been getting higher than before in a more globalized market. Take automotive fasteners for example, automotive OEMs sets 0 ppm requirement but they still have to tackle with critical risks like client complaints and recalls, so quality improvement is a preliminary challenge for upgrade and business transformation. Besides basic quality certifications like ISO 9000 and 14000, automotive industry players also have to acquire the ISO/TS 16949 certificate, while other aerospace industry players have to acquire the AS 9100 certificate. In order to get approvals from international leading industry players, they have to pass stricter quality certification demanded by these industry giants. A few examples for the automotive industry are certificates like American Ford Q1 and German VW FORMEL-Q. After acquiring certificates from car



makers, they will be registered as the qualified suppliers and will have the permission to participate in price inquiries, comparisons and negotiations. Before the order is placed, they have to pass the stringent audit for engineering and manufacturing processes from the car makers

### 3. Expansion of Sales Channels

Getting the sales channel is getting the market. Sales channels can define the role and value of each member in the supply chain. American, European and Japanese fastener companies are growing larger in scale and so are the proportions of their direct sales. Direct sales channels and company scales are the cause and effect to each other. If a fastener plant has

limited abilities and resources, it has to cooperate with other members and establish a value chain to satisfy the needs of end users. Direct sales drive a company to develop complete capability to win in the market, continue growth, build scale, and become a leader. To turn from collateral to direct sales channel, the top priority for Taiwanese fastener companies is to improve quality and techniques, but first they must set their future goal of development and choose their target markets, clients and sales channels. Then, they have to adopt suitable methods and implement the goal for quality and technical improvement based on the markets, clients, and the demand of each sales channel. That is to say, be aware of your purpose and where you are heading for, strategically widen your customer base step by step,

build direct sales channels, grow with your clients, and deploy global business networks.

"When the tree falls, the shade is gone." Every Taiwanese fastener company is nurtured by the industry. A healthy fastener industry exists only with healthy fastener players. If the industry faces impediments, individual companies will have a hard time standing out or even existing on their own. As a result, in order to keep the title of "Kingdom of Fastener Production", all Taiwanese fastener players must collaborate to transform and develop healthily. Let us work together to improve techniques, improve quality, and expand sales channels for ourselves, for the fastener industry, for Taiwan's future, and for the next generation!

