

Analysis of Prices & Sales of Germany and Its Competitors in the Fastener Industry

by Behrooz Lotfian

Germany is one of the most prestigious countries in the industrial field in the whole world. In the fastener industry (HS code 7318), it is the biggest exporter in the whole world with 5.23 billion USD exported fasteners (See the following table). In this article 2011 has been assumed as the starting year and in the following table the 5 biggest fastener market shares in the world have been shown. World exported fastener has dropped 9.46% in 2015 compared to 2014, Germany with a 13.86% negative growth has experienced the worst condition in the same period.

Exporters	Export value in 2011	Export value in 2012	Export value in 2013	Export value in 2014	Export value in 2015
World	33,941,337	33,273,827	34,826,231	37,159,160	33,644,217
Germany	5,579,094	5,321,392	5,649,264	6,077,237	5,235,134
China	4,663,213	4,512,320	4,603,966	5,059,194	4,895,713
Taiwan	3,819,268	3,595,489	3,676,532	4,046,332	3,877,010
USA	3,056,417	3,339,249	3,612,097	3,842,364	3,829,746
Japan	3,158,597	3,374,997	3,056,492	2,843,732	2,475,599
Values in thousand USD					
Unit Price, Metric Ton (USD)					
Germany	7,796	7,488	7,722	7,765	6,625
China	1,802	1,831	1,799	1,819	1,801
Taiwan	2,834	2,812	2,681	2,695	2,637
USA	4,139	6,918	7,232	6,987	6,849
Japan	9,865	9,954	8,807	8,225	7,517
Market Share					
World	100%	100%	100%	100%	100%
Germany	16.44%	15.99%	16.22%	16.35%	15.56%
China	13.74%	13.56%	13.22%	13.61%	14.55%
Taiwan	11.25%	10.81%	10.56%	10.89%	11.52%
USA	9.00%	10.04%	10.37%	10.34%	11.38%
Japan	9.31%	10.14%	8.78%	7.65%	7.36%
GROWTH					
World Growth		-1.97%	4.67%	6.70%	-9.46%
Germany Growth		-4.62%	6.16%	7.58%	-13.86%
China Growth		-3.24%	2.03%	9.89%	-3.23%
Taiwan Growth		-5.86%	2.25%	10.06%	-4.18%
USA Growth		9.25%	8.17%	6.37%	-0.33%
Japan Growth		6.85%	-9.44%	-6.96%	-12.95%

Did the fall of German export really depend on the economic crisis that hit the world economy in 2015? Analyzing the Sales/Price diagram clarifies this reality, NO!

Analyzing the Sales/Price Diagram

Red Line (German sale between 2011-2012). German fastener exporters decreased their prices by 4% in 2012 from 2011 and their sales decreased by 4.6% in the same period.

Golden Line (German Sale between 2012-2013). German fastener suppliers increased their prices by 3.1% in 2013 from 2012 and their sales increased by 6.2% in the same period.

Green Line (German sale between 2013 -2014). German suppliers again increased their prices by 0.6% in 2014 from 2013 and their sales increased





by 7.6% in the same period. It is predictable that 7,700 USD/Ton is the best price for German exported fasteners. But German suppliers repeated their 2012 mistake in 2015, decreasing price to sell more fasteners. In 2015 they decreased their exported fastener prices by 14.7% compared to 2014 and their sale decreased 13.9% in the same period!

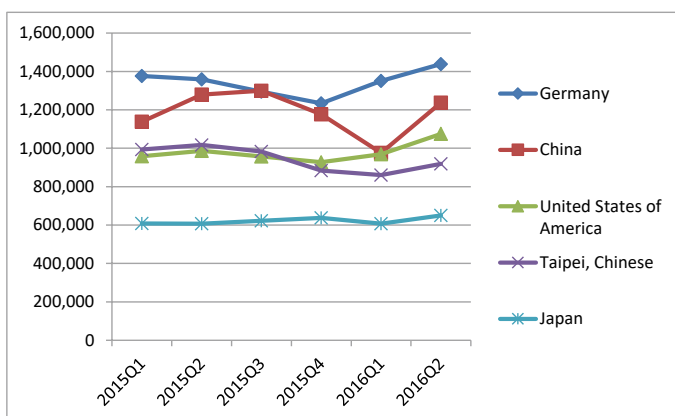
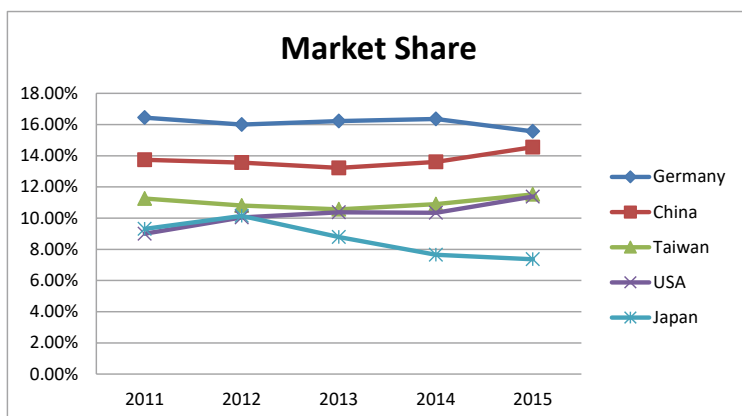
What Happened?

Investigating the unit price of German exported fasteners shows that the prices affected the sales of German suppliers directly. The German price formulation is that increasing the price can increase the sale and vice versa. Germany as the leader of the market should keep its market share and based on the price formulation for German fasteners, reducing the price does not help them and it even has destructive effects on their market. The above diagram shows that as soon as German fastener exporters reduced their prices, they lost their market sharply. The question is why? It is a simple concept, Germany is positioned as a high tech product producer and high tech products are expensive. Therefore, when German exporters decrease their prices, it means that they violate their position specification and consumer can not recognize if the supplied fasteners are real products from Germany. The sale falls easily.

Germany Loses Its Market Leadership?

The following statistics show that Germany was not in the safe place. The following graph shows that German position was under the attack of Chinese suppliers. No change in the strategy means Germany is not the biggest exporter in 2016.

The following graph shows that in the first quarter of 2016, German fastener exporters tried to return to their past glory.

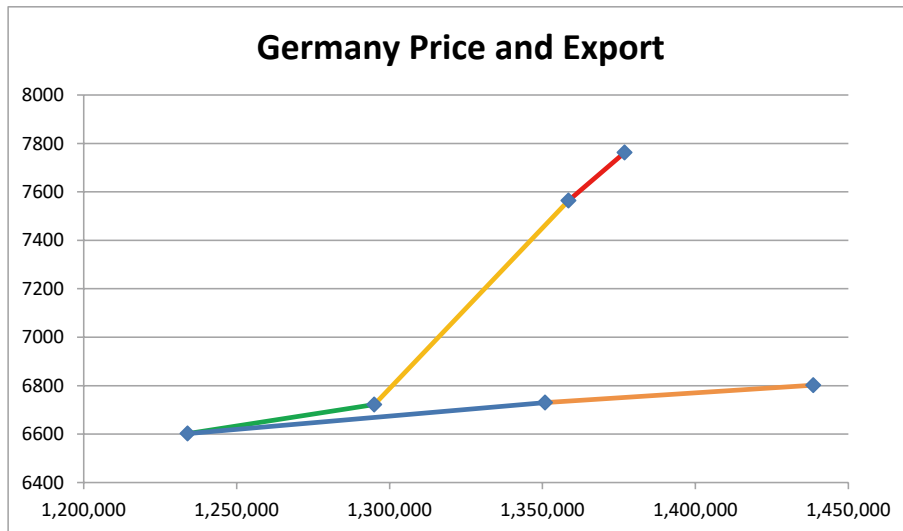


The following table shows that German suppliers changed their strategy (back to high prices) ; therefore they could be stable as a leader in the first quarter of 2016.

Exporters	Export value in 2015-Q1	Export value in 2015-Q2	Export value in 2015-Q3	Export value in 2015-Q4	Export value in 2016-Q1	Export value in 2016-Q2
Germany	1,376,827	1,358,505	1,295,026	1,233,966	1,350,824	1,438,579
China	1,138,828	1,279,930	1,299,755	1,177,200	975,795	1,237,629
USA	958,010	986,893	957,332	927,512	969,422	1,074,721
Taiwan	993,151	1,017,406	982,497	883,956	860,413	918,309
Japan	608,727	607,592	622,147	637,119	607,358	650,218
Values in thousand USD						
Unit Price, Metric Ton (USD)						
Germany	7,762	7,564	6,722	6,602	6,730	6,802
China	1,810	1,910	1,840	1,820	1,710	1,690
USA	6,970	7,200	7,150	5,490	5,420	5,910
Taiwan	2,710	2,700	2,660	2,600	2,520	2,490
Japan	8,270	7,840	7,740	7,410	7,620	7,780
GROWTH						
Germany		-1.33%	-4.67%	-4.71%	9.47%	6.50%
China		12.39%	1.55%	-9.43%	-17.11%	26.83%
USA		3.01%	-3.00%	-3.11%	4.52%	10.86%
Taiwan		2.44%	-3.43%	10.03%	-2.66%	6.73%
Japan		-0.19%	2.40%	2.41%	-4.67%	7.06%

The Sales/ Price statistics prove the above claim again. In the following graph:

Red Line (2015 Q1 – 2015 Q2), the price decreased by 2.6% and the sales decreased by 1.3% ;
 Gold Line (2015 Q2 – 2015 Q3), the price decreased by 11.1% and the sales decreased by 4.7% ;
 Green Line (2015 Q3 – 2015 Q4), the price decreased by 1.8% and the sales decreased by 4.7% ;
 Blue line (2015 Q4 – 2016 Q1) the price increased by 1.9% and the sales increased by 9.5% ;
 Orange line (2016 Q1 – 2016 Q2) the price increased by 1.1% and the sales increased by 6.5%.



Last Word

Al Ries the father of positioning concept, mentioned in his book “Positioning (The battle for your mind)” that:

Positioning is not what a company or country does to a product. Positioning is what they do to the mind of the prospect. To be successful today, countries must touch base with reality and the reality that really counts is what’s already in the prospect’s mind. The basic approach of positioning is not to create something new and different. But to manipulate what’s already there in the mind. To retie the connections that already exist. In the communication jungle out there, the only hope to score big is to be selective, concentrate on narrow targets, to practice segmentation.

In general, the mind accepts only that which matches prior knowledge or experience (Germany products should be expensive). German people cannot tolerate being told they are wrong (They do not buy cheap fasteners through Germany). Mind changing is the road to disaster (Check the above analys). The best approach in our over communicated society is the oversimplified message. LESS IS MORE – sharpen your message, jettison the ambiguities, simplify the message and simplify it some more. You look for the solution to your problem inside the prospect mind. You concentrate on the perceptions of the prospects, not the reality of the product.

If a country or company wants to be successful in a competitive market, it should work on the perception of the potential customers. In a simple world, perception is the reality. ■

"ANCHORS"

WE SUPPLY MANY OTHER KINDS OF HIGH-QUALITY PRODUCTS






MAXTOOL INDUSTRIAL CO., LTD.
 No. 93, Sec. 4, Chung Chin Rd., Daya Dist.,
 Taichung City 42880, Taiwan
 Tel: 886-4-25672336 Fax: 886-4-25671242
 E-mail: maxtool@ms11.hinet.net
<http://www.maxtool.com.tw>
<http://www.fastener-world.com.tw/maxtool>