



Discovering New Opportunities Amid the Pandemic - the Fastener Market in Hungary

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Manufacturers hope that the pandemic will end in the middle of 2021, but the question is, will things go back to normal? This question is important because the behaviour of most clients has changed and returning to the time before the pandemic is not a realistic idea. The pandemic has forced communities to rapidly change the way they work, communicate, and consume products and services. Previous crisis has taught companies that short-term action in response to global crises leads to major changes that turn into routine actions. Producers who understand and act on this new habit will have an ample opportunity to grow.

Short-term Pandemic Opportunities for Hungarian Fastener Industry

All economies have suffered because of Covid-19, and Hungary is no exception, but each bad thing that happens may have a good face. Fastener manufacturing in Hungary, demand, supply and workforce availability are affected at the same time. Fastener producers in Hungary are experiencing drops in demand and extreme pressure to cut operational costs. Their supply chains of parts and raw materials, their selling and export system have been disrupted. The other matter was that their office employees could manage their meetings through the Internet, but most factories do not have digital infrastructures to manage via the Internet. On the other hand, World Health Organization Protocol puts an extra pressure on fastener manufacturers, as almost 50% of their employees will be unavailable to do their chores on-site.

Highlighted opportunity: *It is time for transformational technology in the Hungarian fastener factories to go faster.*

Long-term Pandemic Opportunities for Hungarian Fastener Industry

The coronavirus pandemic is a vital moment for Hungarian fastener industry.

Improve their exported fasteners' value: Hungarian exported fastener value is around 115 million USD in 2019 and it was estimated to decrease to 90 million USD in 2020, which means a more than 20% decline. For example, European countries have decided to return their production from off-shore supplies to their countries. In an effort to reduce the operational costs, Western producers have lost the ability to produce offshore. Therefore, it is predictable that production lines of the machinery category which is around 85% of GDP in developed countries, will be brought back to the countries of origin through some incentives programs. Western governments are almost certain to use domestic manufacturing as part of their plans to build up strategic resilience in the aftermath of the current crisis.

Highlighted opportunity: *Focus on European car manufacturing countries. Bringing the manufacturing back home means Chinese fastener suppliers' power will decrease.*

How Can Hungarian Fastener Producers Improve Their Export?

A- Supply Chains Issues: Most suppliers for automotive producers in European countries are located in South Asia; and therefore, it is obvious that their supply chains suffered a lot during the pandemic. They have experienced unbelievable shocks. In the short term, automotive producers must be looking for



ways to ensure continuity and introduce flexibility. **Fastener producers in Hungary that invest in automation can be significant. Automation is the journey of improvement and its result is competitive domestic production. The pandemic has increased the operational costs of overseas production for automotive manufacturers; and therefore investing in automation and robotics will increase productivity of fastener producers in Hungary.** New technology creates new jobs in this country and opportunities for smart digital employees will be increased but do not meet the demand for low-skilled labour. On the other hand, Big Data helps fastener producers manage their risks and flexibility; and therefore, increases their opportunities for winning the fastener competition in Europe.

B- Data Infrastructure as a Tactical Asset:

In 2017, the Economist announced that data has become the world's most valuable resource. The COVID-19 crisis has made having access to reliable, real-time data an absolute necessity for coordinating the right response to customers. **The fastener industry in Hungary should learn the systems of data gathering and data analysing as the technical tools for finding their right strategy in the market.**

How Can Hungarian Manufacturers Change an Opportunity into a Great Success?

In the above paragraphs we talked about different opportunities that Hungarian fastener companies have. An opportunity is valuable for making a corporate success. The following tips can turn into an opportunity for a big success.

1- Based on my experiences, the management engaged in the fastener industry deals in facts and figures, and analytical approach to a problem. "Getting to the bottom of the situation" is the goal. In short, the management deals with reality. However, the successful approach is "dealing exclusively with perception". What matters to managers who believe perception works, is not the "fact" of a situation, but what's in the minds of consumers that may or may not correspond with reality. Since perceptions are difficult to measure, these managers often use holistic thinking.

- 2- **Making a strong brand is the key to success, not better products.** In this industry, most managers believe that "nothing matters except for high quality products. It sounds so logical; how could anyone disagree? But when you look at the situation from a fastener buyer's point of view, the "better-product" logic falls apart. Even a fastener expert would find it hard to find any significant quality differences between German, Chinese, American, Taiwanese fasteners. There are significant differences, of course, but they don't exist in the product. They exist in the mind of the buyer. If the prospect wants cheap fasteners, he or she heads to a Chinese factory. A well-built fastener is Germany's fasteners and etc.
- 3- Leave the full line of production and keep your focus. Logic in favour of the fastener managers approach: If you have a full line of fastener products, you are obviously going to sell more fasteners than if you have a narrow line. They have forgotten that selling is the second step in a competitive market with super strong competitors like German manufacturers. The first step is building a brand in the mind. And with a full line, that can be difficult. ■



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