

Analysis of Fastening Tools Export of South Korea

In this article, I'll analyze two fastening tool categories falling within HS Codes 820730 and 820740.

HS Code 820730

The export value of South Korea in this category (820730) was 197.6 million USD in the 3rd quarter of 2020, which decreased by 18% in comparison with the 2nd quarter of 2020 and 44% in comparison with the 1st quarter of 2020.

World	2017-Q4	2018-Q1	2018-Q2	2018-Q3	2018-Q4	Numbers are in thousand USD		
		286,159	320,646	291,920	258,456	238,847		
Quarterly Change		12%	-9%	-11%	-8%			
World	2019-Q1	2019-Q2	2019-Q3	2019-Q4	2020-Q1	2020-Q2	2020-Q3	
	315,858	242,987	211,492	250,658	324,574	240,829	197,583	
Quarterly Change		32%	-23%	-13%	19%	29%	-26%	-18%

The blue line shows the value growth of South Korea's exported fastening tools in comparison with the previous quarter. The fluctuation of the numbers in this sector is high, but it trends to -1%. These numbers tell a significant message:

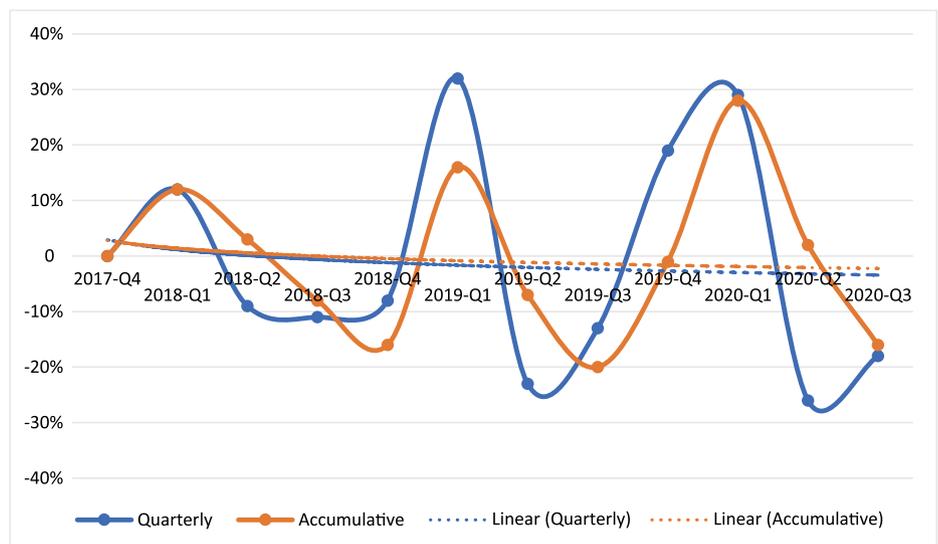
The export of HS code 82730 of South Korea has been in decline and it is not just because of Covid-19.

The last quarter of 2017 has been based in the orange line; and therefore, it shows accumulative (negative) growth in this sector, -16% in the 3rd quarter of 2020. Since the last quarter of 2019 to the 3rd quarter of 2020 the effect of the pandemic is visible.

The period between the last quarter of 2019 and the first quarter of 2020 shows a surplus of orders because of the fear of city lockdowns, and then, the period between the 2nd quarter and the 3rd quarter of 2020 shows a sharp decrease in orders because of full warehouses and the lockdown effect.

The message of this graph is: the situation of HS Code 820730 is not good and it is not just because of Covid-19, as the negative trend has started since 2018.

The following graph shows "the Trend of South Korea's Exported Fastening Tools (820730)":



The World's Trend in HS Code 820730:

The main exporters of this category are:



- The red dot is **Japan**. It was the leading exporter of this category in 2019 and 2020 with 2.7 million USD quarterly export.
- The green dot is **South Korea**. It was the 2nd biggest exporter of this category in the world. Its quarterly export value in the same period was 2.5 million USD. It lagged just 5% behind Japanese exporters.



- The yellow dot is **Germany**. The export value of Germany was 22% lower than that of South Korea.
- The blue dot is **USA**. It lagged 47% behind Germany.
- The purple dot is **Italy**. It lagged 10% behind USA.
- The black dot is **Spain**. It lagged 19% behind Italy.

How Should South Korean Suppliers Act in the 820730 Category ?

Statistics show that South Korea could be the leader in some quarters of 2019 and 2020, but, averagely it is ranked in the 2nd places. Therefore, it is very clear that if South Korean manufacturers want to be successful, they should attack the leader's market directly. What South Korean suppliers should

do is to focus on the Japanese suppliers, their products, their sales force, their pricing, and their distribution. No matter how strong South Korean suppliers are in this category. The Japanese will always overshadow their abilities, if South Korean suppliers only lean on their abilities without attacking Japanese suppliers' sources. Therefore, the main question of Korean suppliers is "How do we decrease Japan's share in the market?"

Find a weakness in the Japanese strength and attack at that point, what do I mean? There is a kind of weakness that grows out of strength. A leader's production line normally is full; and therefore, customers should order their requirements much earlier than their actual consumption dates and customers' urgent orders are most of the times not accepted by a leader. This weakness is because of the leader's strength. Korean suppliers should note that they can go to new markets through specializing their production, preferably with a specific product.

HS Code 820740

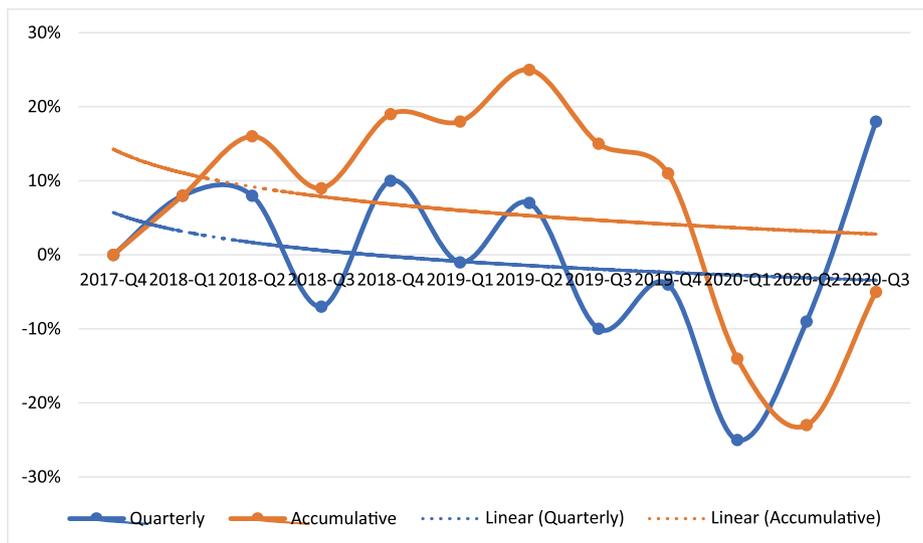
The value of this category is around 25 times lower than HS Code 820730,

World	2017-Q4	2018-Q1	2018-Q2	2018-Q3	2018-Q4	Numbers are in thousand USD		
	11,325	12,269	13,225	12,242	13,468			
	Quarterly Change	8%	8%	-7%	10%			
2019-Q1	13,383	14,372	12,983	12,456	9,332	8,527	10,026	
	Quarterly Change	-1%	7%	-10%	-4%	-25%	-9%	18%

Both lines show a negative trend, but the difference between this graph and the previous graph is:

The numbers of this category (820740) were acceptable before the pandemic. **The line of quarterly numbers was positive until the 3rd quarter of 2019 and the accumulative line reveals that if the pressure of the pandemic is finished this category can recover itself.** Look at the number of the 3rd quarter of 2020.

The following graph shows "the Trend of South Korea's Exported Fastening Tools (820740)":



How Should South Korean Suppliers Act in the 820740 Category ?

South Korea as the fourth biggest exporter in the world in the 820740 category is a mid-level exporter; and therefore, they can't make a big change in the market. Germany, Japan and even the Netherlands still can beat them. However, in business, a guerrilla has a reservoir of tactical advantages that allow the small exporters to flourish in the land of giants. For success, South Korean suppliers should reduce the size of the battleground in order to achieve superiority of force. In other words, they should try to become a big fish in a small pond. My suggestion for the South Korean exporters in this sector is: to find a market segment that is small enough to defend. It could be small geographically, or in volume, or in some other aspects difficult for larger exporters to attack and be aware that no matter how successful they become, as soon as Germans, Japanese or Netherland exporters are interested in the market, they should find another new market for themselves.

The World's Trend in HS Code 820740:

The main players in this category are:

- **Germany** with an average export of 71.6 million USD in each quarter since 2019 is significant with the yellow dot.
- **Japan** is the 2nd biggest exporter, but it lagged 44% behind the numbers of Germany.
- **The Netherlands** as the 3rd biggest exporter lagged 41% behind the numbers of Japan.
- The fourth biggest player is **South Korea**. Its export value lagged 50% behind the numbers of the Netherlands.
- **USA** shows a 14% lower exported value in comparison with South Korea, Taiwan shows a 1% lower exported value in comparison with USA, and **Italy** shows a 13% lower exported value in comparison with Taiwan.

