



The Influence of EU's Fastener AD Dumping Investigation on China

by Behrooz Lotfian

European Industrial Fasteners Institute (EIFI), an association representing producers of bolts, screws, nuts, rivets and other mechanical industrial fasteners has complained that the imports of iron and steel fasteners from China have increased overall in absolute terms and in terms of market share. What are they looking for? The imposition of additional import duties on the products under investigation imported from the PRC, with a consequent increase of their prices.

The Battle of Fasteners

The problem is simple. Chinese fastener producers pose threats to the market of Europe by their low-price strategy which we usually call a “flanking attack” in marketing. European manufacturers have lost their competitive advantages and lost their markets. However, in marketing, we believe that a higher price is not necessarily negative and there are many opportunities for high-price.

What is High Price?

There are two good reasons why high price represents more of a marketing opportunity than low price. One is the tendency of the prospect to equate quality with price. “You get what you pay for.” The other is the potential for higher profit margins with a higher price. The higher margins allow you to finance the critical “pursuit” stage of a flanking attack.

Once the EU claims dumping, it means that their high prices are not appropriate with their quality cost and/or Chinese fastener quality is close to the European fastener quality.

Fastener manufacturers believe that, in their business nothing matters except for the product.” That’s a typical fastener producers’ management thinking. This sounds logical and how could anyone disagree?

However, when you look at the situation from a fastener buyer’s point of view, the “better-product” logic falls apart. One could study through the catalogues of different fastener producers and compare similar fastener specifications, and/or provide samples to test them on their production lines. Even a fastener expert would be hard pressed to find any significant quality differences.

When the story reaches to this point, if a manufacturer cannot make any difference for its product, then the price sensitivity becomes the main concern of buyers. This is exactly what happened to European fastener producers. They can’t sell their products because they don’t make any difference from cheaper Chinese fasteners.

The most obvious form of flanking is low-price. The advantage of this approach is that the market is there. After all, everyone presumably wants to save money. Yet it’s tough to make money by cutting prices.

How Can China Sell Their Products with Low Prices?

In terms of exports, the numbers show that 35% of exported fasteners in the world are originated from the EU, while 16% of exported fasteners in the world are originated from China. EU’s export value is 2.17 times higher than China’s.

In terms of imports, the numbers show that 29% of imported fasteners in the world are sold to the EU, while 7% of exported fasteners in the world are sold to China. EU’s import value is 4.43 times higher than China’s. (See the following table)

Unit: 1,000 USD	Export in 2019	Percentage	Import in 2019	Percentage
WORLD	39,988,430	100%	42,714,411	100%
EU	14,004,028	35%	12,583,424	29%
CHINA	6,443,172	16%	2,838,988	7%

The reason that China can sell at cheaper prices is in their export-to-import ratio. The EU’s export-to-import ratio is 111%, but China’s export-to-import ratio is 227%. China is more independent from imported fasteners in comparison with the EU.



Other numbers reveal that:

- 28% of China's exported fasteners are distributed to the EU region, while 34% of China imported fasteners are originated from the EU.
- 7% of EU's exported fasteners are distributed to China, while 14% of EU's imported fasteners are originated from China.

Year: 2019 Unit: 1,000 USD		The EU	
		EXP.	IMP.
China	EXP.		1,776,368
	IMP.	977,731	

The EU Defends Against China's Attack?

Business is a war between companies and countries or regions. Marketing law shows that strong competitive moves should always be blocked. The EU wants to block Chinese attack by antidumping measures. This can be only a short-term approach because China can do the same to EU's fasteners; and therefore, 7% of their market may be put into a difficult situation. For a long-term blocking, the EU needs to change its approach.

EU's consumers do not want to buy expensive fasteners, so they prefer Chinese producers. EU's consumers' behaviors have caused Chinese fastener sales to reach a positive growth in the EU. The EU's long-term action should be to change their behaviors. But how?

Al Ries, the guru of marketing and strategy, said, "The single and most wasteful thing you can do in marketing is to try to change a mind. Therefore, if EU's fastener producers want to look for a better situation, they should forget the current "fastener" category, and they must make a new category with their own brand. They have to sacrifice something in order to establish their unique position. The focus of most marketing operations is just the opposite. They look for ways to broaden their markets by line extension, size, application proliferation, and multiple distribution. All these things should be sacrificed.

In positioning, the smaller may be the better. It is usually better to look for smaller targets that you can own exclusively rather than a bigger market you have to share with three or four other brands. You can't do all things and still have a powerful position.

China's Approach

Focusing on prices is often the enemy of differentiation. When the price becomes a focus of a message or a company's marketing strategy, consumers begin to undermine your uniqueness. If China keeps prices the main consideration for making consumers pick their fasteners over their European fastener competitors, in the long term and if the EU chooses the positioning strategy, they set themselves up to lose. However, Chinese companies in other industries are leaving the concept of low prices; and therefore, it is predictable that the same trend may happen in the fastener industry, too. ■

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✉ Denny.zhao@corfool.cn
☎ Tel: +86-411-84390026
📠 Fax: +86-411-84390005
🌐 Website: www.cortool.cn

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