

# Analysis of Argentinian Fastener Industry in 2019

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## Argentinian Manufacturing Sector:

With a Gross Domestic Product (GDP) of approximately US\$470 billion, Argentina is one of the largest economies in Latin America. The industrial sector has 28.6% share in its GDP, which means US\$134.4 billion of Argentinian GDP was generated through the industrial sector. Manufacturing has 6% share in the industrial sector, which means Argentina makes about US\$8 billion through manufacturing activities.

The number of manufacturing in Argentina increased to US\$1.79 billion in the third quarter of 2019 from US\$1.77 billion in the second quarter of 2019. The GDP from manufacturing in Argentina is expected to be US\$1.56 billion by the end of last quarter of 2019.

Looking forward, we estimate that the GDP from manufacturing in Argentina to stand at US\$1.76 billion in each quarter of 2020.

In the long-term, Argentinian GDP from manufacturing is projected to trend around US\$1.79 billion in each quarter of 2021 and US\$1.82 billion in each quarter of 2022, according to Trading Economics econometric models. Argentinian manufacturing will grow 1.7% till 2022.

## The Fastener Industry:

The value of Argentinian exported fasteners reached US\$7.2 million in 2019.

- The number of the world's exported fasteners was about US\$42 billion, which means the share of Argentina in the global fastener trade was about 0.02%.
- The number for South America was about US\$190 million, which means the share of Argentina in South American fastener trade was about 3.8%.

In the import sector, the value of Argentinian imported fasteners was US\$180 million in 2019.

- The number of the world's imported fasteners was about US\$45 billion, which means the share of Argentina in the global fastener trade was about 0.4%.
- The number for South America was about US\$920 million, which means the share of Argentina in South American fastener trade was about 19.6%.

Based on the statistics, fastener manufacturing output to Argentina increased, in HS code 731815 the main imported fasteners (note: more than 60% of Argentinian imported fasteners fall within this category) showed a cumulative 48% increase in weight (KG) in April 2019.

Product Code		May 2018	June 2018	July 2018	August 2018	September 2018	October 2018
731815	Value (1,000 USD)	8,342	7,717	7,858	9,395	7,602	9,333
	Weight (KG)	1,127,988	1,337,446	1,108,150	1,962,056	1,048,095	1,535,613
	Accumulated Growth (Weight)	Base month	18.6%	1.4%	78.5%	31.9%	78.4%
		November 2018	December 2018	January 2019	February 2019	March 2019	April 2019
	Value (1,000 USD)	6,593	5,949	6,916	7,555	7,450	7,621
	Weight (KG)	1,039,122	903,003	1,052,335	1,091,644	1,057,677	1,035,095
	Accumulated Growth (Weight)	46.1%	33.0%	49.5%	53.3%	50.1%	48.0%

The 2<sup>nd</sup> biggest HS code with 25% share of the whole imported fasteners was 731816, representing a cumulative 120% increase in weight (KG) in April 2019.

Product Code		May 2018	June 2018	July 2018	August 2018	September 2018	October 2018
731816	Value (1,000 USD)	2,949	3,159	3,025	3,650	2,608	3,276
	Weight (KG)	410,774	573,781	594,114	824,397	385,439	660,603
	Accumulated Growth (Weight)	Base month	39.7%	43.2%	82.0%	28.7%	100.1%
		November 2018	December 2018	January 2019	February 2019	March 2019	April 2019
	Value (1,000 USD)	2,251	2,105	2,314	2,393	2,342	2,737
	Weight (KG)	449,399	529,731	488,260	524,808	418,802	650,391
	Accumulated Growth (Weight)	68.2%	86.0%	78.2%	85.7%	65.5%	120.8%

This means Argentina has a good market for fastener exporters to South America. So, the following advice can help suppliers grab Argentinian market easily.



## How can Suppliers Enter the Argentinian Market?

### 1. Supporting Consumers in the Long-Term Financing Credits

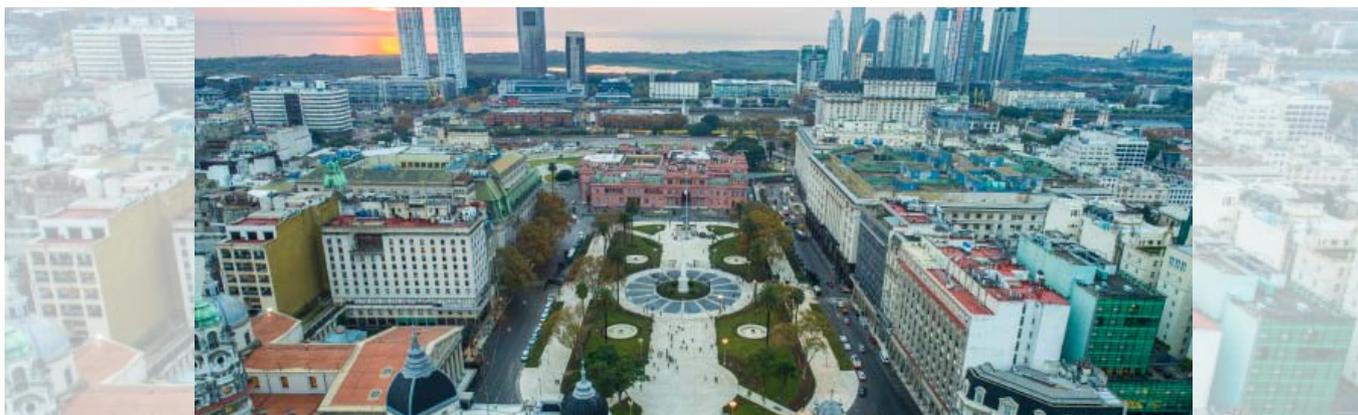
Based on the Argentinian power of purchase (19,200 USD), it is predictable that Argentinians are price sensitive. So, what's driving sales in Argentina is the "low price." However, the "price" alone may make sales difficult for a fastener producer because of fierce competition. How does the price help suppliers sell their products in Argentina?

In addition to exporting fasteners with the comparatively lowest prices and another financial motivator, my suggestion is to give credit to buyers, which means consumers receive their orders first, then sellers get the money after 3 months (more or less). If suppliers cannot offer the lowest price, then they should find another motivator stated as follows.

### 2. Contributing to Improving Buyers' Knowledge (i.e., Be a Problem Solver in the Argentinian Market to Neutralize the Price Effect)

A typical fastener consumer doesn't have the time or the knowledge to compare all the fastener producers' brands in order to find the best one. On the other hand, based on the Argentinian culture - if they trust a foreign company, then they will forget the negative points of the company's product and do the business with them.

- Suppliers should establish trust with Argentinian buyers by providing positive and negative aspects in their fasteners in comparison with their competitors.
- Then, teach buyers to solve problems when they use their fasteners.
- Suppliers can have the Argentinian market if they solve their problems even if buyers buy fasteners from other suppliers.



### 3. Don't be Generalist in the Argentinian Market

The generalist is weak, but the world of fastener industry is populated by highly diversified generalists, narrowly focused specialists. If diversification were effective marketing strategies, you'd expect to see the generalists riding high. However, normally generalists are price sensitive. Therefore, if a company cannot provide the lowest price and if improving buyers' knowledge is difficult for it due to the size of the Argentinian market, then they should make a new fastener category for entering the Argentinian market. For better analysing, look at the following table:

1st Quarter of 2019	Imported value (1,000 USD)	KG	USD/KG	Market Share in Value	Market Share in Weight
World	40,054	6,267,486	6.4	100.0%	100.0%
China	6,424	1,843,995	3.5	16.0%	29.4%
Brazil	5,297	1,687,445	3.1	13.2%	26.9%
Taiwan	2,045	544,811	3.8	5.1%	8.7%
Thailand	5,496	461,228	11.9	13.7%	7.4%
Germany	3,918	455,765	8.6	9.8%	7.3%
USA	5,522	277,146	19.9	13.8%	4.4%
Italy	2,350	202,436	11.6	5.9%	3.2%
Japan	2,315	179,768	12.9	5.8%	2.9%

### Leadership Motivation:

- China is the leading country in the fastener industry in the world. Its price in the Argentinian market is not the lowest (12.9% higher than Brazil), but it is the leader in the Argentinian market in both value and weight.



## Distance Motivation:

- If you can't be the leader, then fight for the 2nd place with a tangible motivation. Distance (Delivery time) is a tangible motivation that helps Brazil and USA to be ranked in the 2nd place.

- In terms of quantity, Brazil is ranked the 2nd biggest supply country in the Argentinian market. The price of Brazilian suppliers is lower than that of Chinese suppliers (obviously, due to the cargo charge), but Brazilian suppliers can improve their price in the Argentinian market if they introduce themselves as the problems solvers which China can't solve because of its distance.

- In terms of value, USA is ranked in the 2nd place. Obviously, it introduces itself as a high technology fastener producer in the Argentinian market and the distance helps it act better than Germany (leader of technology in the world).

## High Technology Motivation:

Germany is the leader of high technology in the industrial sectors of the world. However, why doesn't it succeed in the Argentinian market? .....Because of bad strategy.

- A technology-based leader should have the highest price; otherwise, nobody accepts you. U.S. fastener price is more than two times higher than that of Germany in the Argentinian market.

- When you are the technology leader in the world, but your price does not prove it, buyers believe that something is wrong even if there is no mistake. Japanese & Italian suppliers have the same problem in the Argentinian market.

## Price Motivation:

The lowest and highest price will always motivate consumers to buy products. Taiwan goes nowhere, because its price is not the lowest and it does not have any specific motivators for Argentinian consumers. Look at the unit price of Thailand, it is almost 3 times higher than that of Taiwan! The question is why Argentinian consumers buy from Thailand? Is it because of better quality or better services of its fasteners in comparison with Taiwanese products? The answer is, of course not!

Argentina is the 25th largest car manufacturing country and Thailand is the 11th car manufacturing country. Argentinian consumers think that Thailand is professional in automotive fasteners, and in comparison to other automotive producers, the price of Thailand is the cheapest. In a simple word, Thailand is positioned as the leader among automotive fastener producers in the Argentinian market.

China is successful because it is the leader of fasteners world.

USA is successful because its fastener price makes it the leader of technology.

Brazil is successful because it is the leader of distance.

Thailand is successful because it is the leader of automotive fasteners.

Germany, Japan, Italy and Taiwan are the countries that act as a generalist (no specific reason in the minds of Argentinians to buy their fasteners) in the Argentinian market, so they are not very successful in this country. ■



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