

# Reflections of Fastener Industry on The "Dieselgate" Scandal of VW

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Volkswagen

On July 27, U.S. Federal Trade Commission (FTC) released a final report on the "Dieselgate" scandal of the VW Group, which was uncovered in 2015. In the report, U.S. FTC pointed out that such a scandal has cost the VW Group an astronomical compensation of over 9.5 billion USD (nearly 280 billion NTD) paid to U.S. consumers, which does not even include the extra compensation of 4.3 billion USD (approx. 130 billion NTD) incurred from the criminal

action against fraud, fabricated statement and perverting the course of justice. With just an initially barely noticed fraudulent means of adjusting the exhaust emission software, the VW Group has incurred to itself a loss of over 30 billion EUR (about 1.05 trillion NTD) in total.

What's worst is, although the VW Group proposed two types of compensations to consumers (one is returning their cars and getting extra compensation, and the other is having their cars repaired at authorized resellers until they are compliant with the emission regulations), there are still

more than 86% (around 0.55 million units) of U.S. car owners choosing to return their cars directly, which significantly tarnished the brand image of the VW Group's diesel cars in U.S. market. From this case we could obviously observe that "sometimes the prices of products are not the only consideration of consumers to place their orders and the quality of products are what consumers are really concerned about when it comes to the final determination," which is also a quite significant trend lots of industry analysts have observed in the global fastener trade in recent years.

## High Quality is Preferable to Cheap Price!

Many fastener buyers may have such a similar experience of buying products at cheap prices and later facing goods return or requests for compensation from consumers due to defective performance and incompliance with standards of products, which are basically the result of the ignorance of quality. As a result, in order to prevent the operation of an enterprise from being delayed or even destroyed, the control of manufacturing procedures from material selection to the final delivery, nice equipment and even operating staff will all play a very critical part.

Don't ever think about cheating on manufacturing procedures without being noticed (e.g., replacing material A featuring better performance with material B whose property is not compliant with required standards, shortening the heat treating time on purpose to accelerate delivery, etc.), as the current advanced equipment has been capable of conducting a complete range of analysis of fastener materials, surface treatments, and application performance. Those issues the

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industry is most concerned about, such as toxic hexavalent chromium, hydrogen embrittlement, and bolt failure, can be all detected before shipment.

Those ways which have been usually taken by many fastener manufacturers dedicating themselves to the R&D of high value-added products in recent years for quality improvement and winning consumers' trust may also work for other fastener companies.

### 1. Getting Certification is a Must

Being certified to ISO 9001 or ISO 14001 is very common in the industry, however, if one would like to penetrate into advanced construction, automotive, aerospace or medical industry, getting the approval of ETA, ICC-ES, IATF16949, AS9100, or ISO13485 (whose entry barrier is higher than others) will become a must. Through the introduction of these internationally recognized quality management systems, one can manufacture products fully trusted by consumers. The application procedure of some certifications is really time- and cost-consuming, but as there are not as many competitors as in the application procedure of other certifications, once one can get the certification of this kind, he will be very likely to be accepted into a higher tier supplier chain and simultaneously grasp more profiting opportunities. In certain markets (the EU and Japan, for example), if one can get further certifications like CE or JIS, he can also strengthen the reliability of his products on local consumers' minds, and even indirectly win an entry ticket to certain markets where similar national certifications do not exist at all.

### 2. Keep Investing in New Equipment

Good equipment results in high quality goods and fastener manufacturing technology is also being improved day after day. For example, many new machine models nowadays can complete heading, threading, and pointing at one time, so manufacturers do not need to buy machines for separate manufacturing procedures. Although doing so will require high costs, manufacturing efficiency and quality of finished products can be greatly increased. Many fastener companies have even invested a lot in introducing advanced facilities from Europe/USA/Japan or purchasing automated machines from Taiwan at a high cost-to-performance ratio for processing products, surface treatment and final quality control & inspection. All of these investments, in the long run, can definitely boost the quality of products toward the development of consistency, stability, and compliance with international standards.

### 3. Training Technical Staff

As consumers' requirements for product design have been stricter than ever, manufacturers, as a result, have to enhance their knowledge of products. In addition to scouting potential talents through the industrial collaboration with technical colleges, companies can also reinforce the professional knowledge of their in-plant technicians and the training of onsite machine operators, so their R&D staff can design products with high quality and performance and their machine operators can do according to their R&D colleagues' drawings and are capable of solving unexpected situations in manufacturing in time and preventing defective products from being carelessly shipped to consumers. High quality is well-managed from the very beginning of manufacturing. Moreover, if quality control staff can speak a second language, it'll be even better.

### Conclusion

High quality is easier said than done. Through the above said three major principles, companies can not only fully control the quality, but also prevent quality-related scandals similar to the VW Group's "dieselgate" that led to an astronomical compensation and the loss of reputation from happening again. Only when one continues to work hard in quality control and does not do shoddy work can he achieve the real success in the end.

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