



Analyzing the Fastener Markets: Sweden, Norway, and Finland

by Behrooz Lotfian

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Sweden's economic freedom is the 22nd freest in the 2020 Index. Sweden is ranked 12th among the 45 countries in the European region. The Swedish economy has been rated mostly free for more than a decade. Its GDP growth has been solid but not noteworthy for the past five years.

In 2019, its GDP was 542 billion USD with a 2.3% growth and its GDP per capita was 52,984 USD. The total value of exports and imports of goods and services equals 90.9 percent of its GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Sweden has an additional eight country-specific nontariff barriers. The investment regime is open and transparent. The number of foreign bank branches has increased. The state owns one bank, which mainly offers mortgage loans. The Sweden open market has caused the absorption of 11.1 billion USD worth of FDI.

- Fastener Trade of Sweden -

Sweden's exported fastener value was 375 million USD and its imported fastener value was 516 million USD. These numbers put Sweden in the middle of fastener users in the EU zone. When a country is not the leader like Germany and it is not the 2nd or 3rd biggest country in that subject like Italy, then it must choose the flanking strategy for success.

Most managers know about "offensive" and "defensive" are both strategies. The leader defends, and the 2nd and 3rd attack. So, what do others do?

Flanking. For most managers, flanking warfare may seem like a military concept with no business applications. Not so. Flanking is the most innovative way to fight a business war.

More than any other form of business warfare, flanking requires a knowledge of the principals involved and an ability to visualize how the battle will unfold after the attack is launched. A flanking move does necessarily require some element of newness or exclusivity in the product. The prospect must put them into a new category.

Swedish fastener players can flank Germans with safety fasteners (Volvo is known as a safe car in the world and Swedish fastener players can cling to this reputation) which customers put into a new category.

It might not be obvious, but the success of a flanking attack often hinges on Swedish ability to create and maintain a separate category. This is not always easy, especially since the defender can be expected to try to blunt the attack by denying the existence of the new category.

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Norway's economic freedom is the 28th freest in the 2020 Index. Norway is ranked 15th among the 45 countries in the European region. The Norwegian economy has been rated mostly free for eight years. Its GDP growth, however, has poked along at less than 2 percent annually for the past five years.

In 2019, its GDP was 395.9 billion USD with a 1.4% growth and its GDP per capita was 74,356 USD. The total value of exports and imports of goods and services equals 70.6 percent of its GDP. The average applied tariff rate is 3.1 percent, and 236 nontariff measures are in force. The investment code is efficiently administered. A new law that introduced control of acquisitions based on national security considerations was adopted in June 2018. The modern financial sector is competitive, although the country retains ownership in the sector. This new law has caused FDI in Norway to drop and made many foreigners withdraw their capital from Norway.

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Finland's economic freedom is the 20th freest in the 2020 Index. Finland is ranked 11th among the 45 countries in the European region. The Finnish economy has benefited from gradually rising economic freedom over the life of the Index. Its GDP growth has been positive but modest.

In 2019, its GDP was 256.5 billion USD with a 2.4% growth and its GDP per capita was 46,430 USD. The total value of exports and imports of goods and services equals 78.5 percent of its GDP. The average trade-weighted applied tariff rate (common among EU members) is 1.8 percent, with 637 EU-mandated nontariff measures reportedly in force. Finland has an additional nine country-specific nontariff barriers. In general, government policies do not interfere significantly with foreign investment. The competitive financial sector provides a wide range of services. The FDI in Finland is 1.2 billion USD.



- Fastener Trade of Norway & Finland -

Norway's fastener export value was 86 million USD and its imported fastener value was 250 million USD. On the other hand, Finland's exported fastener value was 66 million USD and its imported fastener value was 160 million USD.

These numbers put them in the middle of fastener users in the EU zone, which means they were respectively ranked the 14th and 16th biggest fastener trade countries in the fastener industry.

How can these two countries be successful in the fastener industry?

The leader should use the defensive strategy, while the 2nd and 3rd biggest countries should use the offensive strategy and attack to the leader. The 4th to 6th should use the flanking strategy. And, what should the others use? If a country has been ranked in the 7th place or after that (like Norway and Finland) they should use the Guerrilla strategy. A guerrilla has a reservoir of tactical advantages that allows the small countries to flourish in the land of the giants.

Rolls-Royce, for example, is a high-priced guerrilla in the automobile business. It dominates the market for cars costing more than \$100,000 USD. As a matter of fact, it owns the market.

Nobody thinks of competing with Rolls-Royce because (1) the existing market is small and (2) Rolls-Royce, at least initially, would have an enormous advantage. The mathematics are on the side of Rolls-Royce.

Based on this explanation, find a small segment of the market that Norwegian/Finnish fastener players have enough resources to defend. It could be small geographically, in volume, or in some other aspects difficult for leading players to attack.

Norwegian/Finnish fastener players should try to reduce the size of the battleground in order to achieve a superiority of force. In other words, tries to become a big fish in a little pond.

My suggestion is Norwegian/Finnish fastener players should concentrate on a specific industry. For example, Norwegian fastener players should focus on oil and gas fasteners and Finnish fastener producers should focus on fasteners used in electronic industries because 21% of Finnish industries are electronics related (the largest industry segment in Finland). ■

Reference:

Marketing warfare, AL Ries, Jack Trout



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