The Italian Fastener Market in 2019

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Introduction [1]

Italy's manufacturing sector is the second largest in the eurozone after Germany and the sixth in the world, based on measurements of Manufacturing Value Added. It is the world's eighth largest exporter, with EU countries accounting for nearly two-thirds of its trade.

Machinery & electrical equipment and semi-finished products account for more than half of its manufacturing revenues, with other consumer goods, transport equipment and high-tech products being also significant.

The value of Made-in-Italy products has seen a significant growth to US$205 billion.

Manufacturing in Italy is expected to receive a boost from the Industrial National Plan 4.0 for 2017-2020 unveiled in 2016 by the Ministry of Economic Development of Italy. This foresees transforming the sector by merging digital technology and conventional industry, promoting private investment through government incentives and stimulating research & development.

The Situation of Italian Fastener Industry in 2019

The fastener demand of Italian industries was about 2 billion USD in 2019 and Italy also exported more than 1.9 billion USD worth of fasteners to the world in 2019.

Germany has bought 29% of Italy's exported fasteners, followed by France (16%), USA (6%), and Poland (5%).

Italy's Fastener Import from the World (Unit: 1,000 USD)

Exporter	2015	2016	2017	2018	2019
World	770,742	760,065	874,376	1,038,033	944,623
Annual Growth	---	-1%	15%	19%	-9%

In the imported fastener sector, Italy has bought 0.944 billion USD worth of fasteners (detailed as below).

- 29% from Germany
- 17% from China
- 9% from Taiwan
- 5% from USA

Italy's Fastener Export to the World (Unit: 1,000 USD)

Importers	2015	2016	2017	2018	2019
World	1,663,670	1,686,986	1,895,555	2,100,497	1,912,633
Annual Growth	---	1%	12%	11%	-9%

The Future of Italian Fastener Industry

Italian industrial fastener demand is set to rise by 2.3% annually from 2020 to 2025, reaching US$2.3 billion in 2025, making it the third largest market in Europe after Germany and France [2]. Out of this total, standard fastener sales will be worth US$2 billion by 2025, with externally threaded fasteners accounting for the biggest chunk of this at US$1.3 billion.

1. *CBI Ministry of Foreign Affairs*
2. *Freedonia Group's study*

Gains in the aerospace equipment market have allowed for solid growth in Italian sales of aerospace-grade fasteners, predicted to rise by 24% from 2020 to 2025 or 4.8% annually, to reach US$260 million.

A similar trend can be seen globally, with the industrial fastener market set to expand by 20% over the period 2020 to 2025, or 4% annually, to a total of US$99.5 billion by 2025. Europe will account for approximately one fifth of this, with sales forecast to reach $26 billion by 2025, compared to $22.7 billion in 2020.

The global market for aerospace fasteners is expected to increase at a faster compound annual growth rate (CAGR) of 7.6% between 2017 to 2024, with a significant growth forecast in Europe.

As a major exporter, Italian fastener shipments are forecast to rise by 2.8% per year over the period 2020 to 2025, to reach $3.7 billion, making Italy the fifth largest exporter in the world. The biggest foreign markets are Germany, France, Spain, Poland, and the UK. It ranks as the second largest producer in Europe, holding a 20% share in the European market, after Germany.

What Should Italy Do to Guarantee Its Success? [3]

Italy is strong enough, so it should play an offensive war with the fastener leader in the EU zone (i.e., Germany). There are two principles to guide it for a successful offensive strategy.

1- The main consideration is the strength of the leader's position.

Germany as the leader always focuses on its product quality, and therefore; Italy should focus its attention on the leader.

Managers in the Italian fastener industry should consider product quality, sales force, pricing and distribution channels of Germany instead of considering its own strengths and weaknesses (quality, sales force, pricing and distribution channels).

Italy should consider that no matter how strong it is in the fastener industry, it cannot win if Germany is also strong.

What Germany owns is the quality in the minds of the prospect. To win the battle of the minds, Italy must take away its position before it can be substituted for Germany. It's not enough for Italy to succeed; Getting the enemy to eat it is the key objective of offensive warfare. The morale factor can be decisive. The emphasis should be on destroying the morale of your opponent.

But it's not easy for Italy to keep this concept in focus, so most marketing plans call for "increasing its share in the market."

Italy should look at Germany and ask itself, "How can I decrease its share of the market?"

We don't mean undermining leaders by dynamiting their plants or interdicting their rail centres. That's a physical way of looking at marketing warfare.

They should never forget that marketing warfare is a mental exercise with the battleground being the human mind. All offensive operations should be directed at that target. Italy artillery is nothing but words, pictures, sounds.

2- Find a Weakness in the Leader's Strength and Attack That Point.

That's not a misprint. I mean "finding a weakness in Germany's strength," not in its weakness. Of course, Germany has weak points that are just weak points and not an inherent part of its strength. It may have overlooked the point, considered it unimportant, or forgotten about it.

For example, the high price of Germany's fasteners is not an inherent weakness because Germany can decrease its price easily. Because of the scale of Germany's production, it is predictable that it has the lowest manufacturing cost in the industry (compared to Italy or even the entire Europe, too).

So, it's dangerous for Italy to compete with Germany on price because it has the financial ability to make money at almost any price, no matter how low the prices are. However, Germany tends to set higher prices, as in the minds of many consumers, "made-in-Germany" means high quality, and as a general rule consumers believe that high price equals high quality and vice versa. Germany cannot sell its production at low price, otherwise it will damage its image of "made-in-Germany."

There is another kind of weakness, a weakness that grows out of its strength.

Where is Germany's Strength?

Germans are very good at making excellent products and meeting demand, but their economy has never quite reached that level of cutthroat competition where they have to really go out and sell. In a simple words, "the demand is so overwhelming that there is no need for Germans to sell their products."

In Which Part of Germany's Performance Can Italy Find a Weakness?

"In these days, when declining faith in many of Italian companies is reported because of COVID-19 (Quarantine has made so many factories' growth negative, and their supply chains are in the trouble, so most managers and business owners have lost their confidence and faith about the future.), Italian fastener producers can explain how they have contributed to the society during the COVID-19 period. They can talk about "How they can help small fastener producers non-financially in this period".

Now Germany is the fastener product leadership (Product leadership is the leader of products, making innovative products, finding the consumers' needs and designing new products (talk in the product level)), while Italian fastener companies can introduce themselves as business leadership (Business leadership is the leader in business. They can find new ways of business, make innovative ways of sales, and make new rules to facilitate the business (talk in the trading and policy level)). ■

3. *Marketing warfare, Al Ries, Jack Trout*