

In the Face of the **Recession**, How can **Business Operators Cope with Challenges?**



With the epidemic almost reaching an end, the global industry is eagerly awaiting a quick recovery of the market and for supply & demand to catch up with the production lines ASAP. This sounds logical, but is it really the case? At this stage, the market seems to have a different voice.

According to the feedback received from Fastener World's recent visits to several benchmark factories, traders and equipment manufacturers, the performance of some Taiwanese fastener manufacturers in Q1 2023 seems to be a bit contrary to the expectation, and they are not enjoying the revenue dividends that should be generated by the slowdown of the epidemic. Many business owners said that the performance of orders on hand is not as good as expected, not only new orders have not seen a significant increase, but even the orders already in hand last year have been reduced by about 25% due to some customers' requests to cut orders or delay shipments, which can be said to be quite difficult to business operators. Some industry players even pessimistically said that this wave of recession may not turn well until the middle of 2024. However, until then, Taiwan fastener industry, which has always been dedicated to hard work for years, can only sit back and wait for death?

To look at the development of Taiwan fastener industry in the past, exports were in a strong position until 2018, and in 2020 the outbreak of the epidemic led to the temporary shutdown of production lines in Europe and the U.S., and the market demand came into a freeze and turned down sharply, after which the demand rebounded again, and the demand for urgent orders from customers increased sharply. Unfortunately, in 2022 the outbreak of the war between Russia and Ukraine had an associated impact on international maritime transportation and related raw material costs. Despite the sudden increase in cost pressure and the constant fluctuations of supply & demand in the industry, we have heard from time to time that some companies have been able to maintain as profitable a performance as possible at different stages of market adversity through appropriate cost control strategies. So, instead of getting stuck in a quagmire of poor orders, why don't business operators think differently about whether they can take advantage of the market downturn and turn the challenge into a boost to their growth and sustainability through different thinking and practices? Perhaps, this is a great opportunity for companies to make changes and get more orders in the future.

In view of this, we have synthesized the experience and practices of many successful predecessors and summarized several suggestions that may be available for the reference of today's fastener business operators and can accelerate the construction of the road to sustainable business development in the future:

- 1. Always pay attention to physical health** - Only with a healthy body can a business operator have sufficient physical and mental strength to help the company overcome every difficulty and challenge. Therefore, pay attention to the body health, regular exercise, healthy diet and regular health check-ups is definitely the only way. If an operator is always sick, how can he/she have more time and energy to think about the company's future business deployment and lead employees to move forward?
- 2. Be optimistic about things** - The industrial development is not always smooth. In the past few years, many big events happened in the international market such as the depreciation of USD, the opening of the Chinese market, the Middle East oil crisis, the Asian financial turmoil, SARS, etc., causing many ripples in the development of the industry. If a business leader often loses his/her temper due to sudden challenges, he/she will easily lose the ability to think calmly while making important decisions, which will eventually backfire. Therefore, operators should learn to adapt to these adversities, do as much as they can, and face every thorny challenge in front of them with a positive and optimistic attitude.
- 3. Proper control of financial cash flow** - A smooth cash flow is one of the factors affecting the longevity of a business. In particular, many businesses often take out long-term or short-term loans from banks in order to make investments or expand their operations. In bad times, poor cash flow control may lead to liquidity failure and closure. Therefore, business owners should always have a good understanding and proper control of their own finances and cash flow, and make flexible adjustments and operations when necessary.



4. **Pay more attention to government subsidy programs** - Unlike some large consortia with abundant financial resources, Taiwan fastener industry mostly consists of SMEs, which often need external subsidies and resources to make transformation or huge investment before they can be realized. At present, many Taiwanese government units such as Industrial Development Bureau, Bureau of Foreign Trade, MIRDC, etc. have provided many subsidy plans and stimulus programs for the fastener industry to upgrade and transform, staff training or investment in factories, and even some universities and other related departments or institutions are capable of providing relevant technical research cooperation. The industry may wish to assess their own needs and make good use of these channels to obtain as many resources as possible in order to enhance their international competitiveness faster and increase the development gap with other competitors.
5. **Regular visits/contacts with existing customers** - For long-term stability, it is not enough to rely on the availability of new orders, so it is necessary to find ways to retain existing customers. Through regular contact with them, companies can also get to know the market development and industry needs, develop new technologies and products, and further pursue more opportunities for new orders from customers. As mentioned above, even if the market is not good, there are still companies that can find business opportunities and even make a fortune in the face of adversity. We must keep our confidence and work hard to turn around and create another bull market even in a bear market.
6. **Pay attention to the emergence of new business models** - many new concepts and trends may cause rapid changes in the fastener supply chain, and one inattentiveness may make you overtaken by other competitors. For example, the recently discussed hot issues such as carbon emission check, energy saving and carbon reduction, carbon neutrality, online real-time order placement, etc. are all foreshadowing the future development trend of the industry, and business owners should definitely pay close attention to keep up with the pace.
7. **Training of employees** - When a company has a lot of orders, it can focus on business performance. When the orders are low, it can have more time to review the operation of each production line in the factory and improve customer services, as well as strengthen the training of employees' skills. When the economy improves, the company will show better strength to win more orders from customers.
8. **Strengthen procurement to reduce costs** - In a market downturn, price cutting and more alternative options will proliferate, causing many uncompetitive operators to eventually exit the market. Therefore, it is important to have good purchasing bargaining ability, and operators can use this ability to significantly reduce costs and reduce the pressure on their business.
9. **Go international** - In the face of a market downturn, companies should go international to explore business opportunities. Businesses with sufficient financial resources can expand their business scale through overseas expansion, factory establishment, new equipment procurement or investment and M&A. In addition, they can also participate in international exhibitions in different regions for marketing and promotion. Not only can they meet with customers directly and observe the current market situation, but more importantly, they can also find multiple channels for new customer development more quickly.
10. **Take the opportunity to find good employees** - severe disagreements between employers and employees often occur in bad times, but this can be also a good time for employers and employees to calm down and think about the problem. If the disagreement is handled properly through communication, good employees will value the job opportunity more, and both employers and employees will appreciate the blessings of the time together.

According to the author's past experience in exhibiting overseas, most of the buyers I met at shows attached more importance to quality, technology and service in general, which are the very advantages Taiwan fastener industry possesses. Although this recession may make some industry players feel anxious about the future for a short period of time, however, as long as business operators can play an active leadership role at this stage, lead their employees to turn the adversity into an advantage, and surpass their competitors while they are still feeling sorry for themselves, with the strong development of Taiwan fastener industry accumulated over the past decades and the trust of international customers, I believe that they will eventually overcome waves of difficulties and embrace the prosperity and growth in the future. ■

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