



American Fastener

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Proffered®
BBIT TOOLS®

**BRIGHTON-BEST
INTERNATIONAL**

**LAUNCHES PROFFERED®
HAND TOOLS**

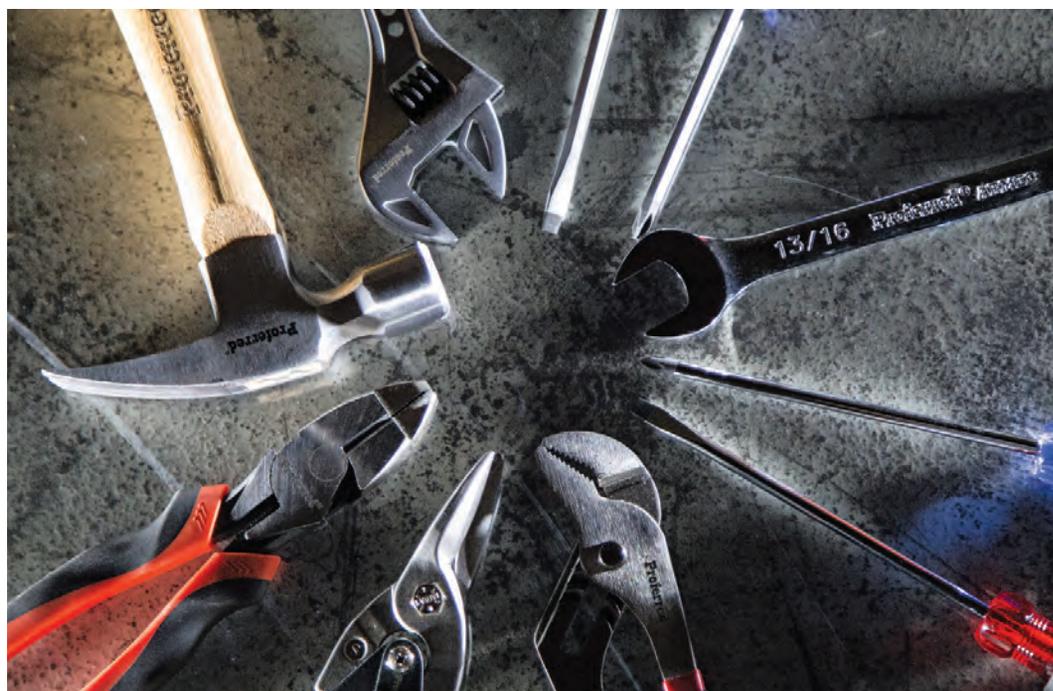
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COVERSTORY

BRIGHTON-BEST INTERNATIONAL

LAUNCHES PREFERRED® HAND TOOLS

In business, people often ask subject matter experts to predict the future. How will the economy perform over the next five years? What will the interest rates be? How will commodity prices perform? Ultimately, the source of these questions is a pursuit to find confidence so that we know when and how much to invest into our businesses. So when businesses ask experts to predict the future, I am often reminded of a quote that it is far easier to build the future than to predict it. By taking the position of building the future, we are taking ownership of it. By attempting to predict the future, we become bystanders to the builders.



Seven years ago, Brighton Best Socket Screw, the predecessor to Brighton Best International “BBI”, embarked on a new journey. The previous owner looked to sell the business that he built to a new ownership team that pledged to keep the company intact, and invest to grow and expand the platform.

In 2008, the company was purchased by a consortium of investors lead by Mr. Robert Shieh of the Ta Chen Group. Ta Chen International was a group started by Mr. Shieh in 1986, and has since become a \$1.5 Billion USD business with over 4,000 employees globally focused on the wholesale distribution of stainless steel and aluminum products.

For BBI, the acquisition also meant an infusion of resources. Hundreds of millions of dollars were invested to modernize BBI, from increasing warehouse space under roof by 500%, increasing the range of our SKUs by 400%, and building an online trading platform

with existing distributors that would eventually generate 75% of BBI’s sales. BBI thus began a radical transformation, and we have emerged as one of the largest wholesaler of fasteners in the world, selling a wide range of commodity fasteners from sockets to hex heads, nuts, washers, screws, anchors, threaded rods in all different material grades and types. We’ve expanded from roughly 12,000 SKUs to over 60,000 SKUs worldwide. So, what’s next? There are still obvious steps we will take to improve our operational efficiencies, to grow our fastener business organically, and to grow through acquisitions. However as we look at our evolution from 20 ton coils of stainless steel sheets and 20 ft. pipes, to 1 lb. boxes of fasteners, we realize that we are not limited by the product categories we sell. We are wholesaler distributors of industrial products and bring a value proposition of:

- Improving our distributor's cash flow by providing a greater mix of products with lower minimum purchases per SKU and eliminating the need to carry large inventories.
- Mitigating the risk of commodity cost fluctuations.
- Ensuring the highest quality of products from factories we direct source from.
- Carrying the operational cost of warehouses, people, and systems from importing directly.
- Providing exceptional service with competitive pricing you would expect from BBI.

Nowhere in our value proposition do we say we should only sell fasteners. We have expanded over the past six years by increasing the range and depth of our inventory. We will continue to expand by increasing the range and depth of our products categories outside of fasteners. As we continue to expand into these other product categories, our distributors will benefit by:

- Having the highest quality of products at the most competitive prices.
- Having access to new product categories previously inaccessible or with limited access for fastener distributors.
- Provide new opportunities for growth and margin expansion to our distributors.

Already, BBI has placed millions of dollars worth of purchase orders to expand into the hand-tool product category with an expected launch of July 2015. We have made it a focus to purchase hand tools from Taiwan where the manufacturers have access to better quality steel and have better controls over manufacturing processes than from cheaper countries of origin. This will cost BBI sometimes 50% more in product procurement cost; however, we will make the product accessible at a lower price than what the cheaper product will sell for in the market. BBI will provide to our distributors the best quality and most innovative hand tool products, at the lowest cost, period.

Our initial range of products will cover:

- Socket Sets (1/4"; 3/8"; 1/2"; 3/4" drive sets with rails), individual socket and ratcheting accessories.
- Adjustable Wrenches (standard, plumbing and mining focused products, slide and quick release wrenches, wrench sets)
- Ratcheting Wrenches
- Combination Wrenches
- Aviation Snips (straight; left; right; notch; long pattern cut snips)
- Pliers (diagonal cutting; long nose; heavy duty linemen's; straight jaw grove; slip joint pliers)
- Screwdrivers (acetate cushion grip; Go-Thru; 1000V insulated; precision;

hollow nut; and an assortment of screwdriver sets and interchangeable bit screwdrivers.

- Staplers (staple gun and hammer tacker)
- Hammers (framing; ripping; curved claw; drywall; rubber mallet; club hammer)
- Masonry and High Speed Drill Bits
- Riveters (hand and long-arm riveter)
- Utility Knives
- Tape Measurer
- Hex Keys

BBI's purpose of existence is to help our distributors make more money. Because a healthy distributor ultimately means a healthy BBI. As we looked at our own growth and the health of the industry, we felt the need to create new areas of opportunity for our distributors. Products like tools are more difficult to source than they are to sell. There are many established channels and brands, and as with any established channels that generate high margins, there are many defensive walls to prevent new entrants. To find good quality manufacturers and to procure the product at a competitive cost point was the challenge that BBI had taken on to create this opportunity.

I often am asked where a distributor should invest their resources. My answer





is always, invest where you're small, because regardless of the economic growth or contraction, you will grow.

Tools have a higher USD per SKU than fasteners. This means as a fastener distributor, you will get more efficient as you sell more hand tools because your sales will increase faster than your costs. This investment makes much more sense than for a high dollar per SKU distributor investing into a low dollar per SKU product line because each sale will mean the distributor is becoming less efficient.

Tools are intuitive. Everyone, since childhood, has grown up with a screwdriver/hammer/pliers/adjustable wrench. Not everyone grows up with a serrated flange nut or a square drive deck screw. Intuition is a powerful weapon, because intuition provides scalability. It does not take extra salespeople or engineers to

explain the functionality of a screwdriver. If a customer sees it, and needs it, he'll buy it. So there are incremental sales in hand tools without the incremental cost to service them. So ultimately, rather than ask, "Why Hand Tools?", maybe the question should be, "Why NOT Hand Tools?"

The constant push to grasp new opportunities, even when we don't need to, is our attempt to fight complacency and to ensure continued mutual growth. ■

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