



Brighton–Best International Inc

Jun Xu, president

When asked to contribute to this article, I first had my reservations. Over the past several entries, I've basically only talked about diversification, and I did not want to sound like a broken record. But the opportunity came, and so this will be a continuation of that broken record. However, my conviction for why diversification is so important has never been stronger. Here, I hope to explain that conviction.



From a traditional role as a fastener wholesaler, I believe today Brighton Best International (BBI) has a good handle on what drives our business and what risks to manage or stay clear from. From 2008 to 2019, our sales and tonnage has increased more than 10 times in the USA and more than 8 times globally.

As we grow, we continue to drive efficiencies, by becoming even more lean and efficient. I've often told our team that the only way to guarantee survival as a wholesaler is to be the lowest cost operating wholesaler in the industry. To that end, I believe we have achieved it and continued to gain on this goal each year. 2019 continued our growth from 2018, which itself was a record year from 2017. But what about 2020 and beyond? What are the drivers and risks we see in the next several years?

Tariffs and government intervention

There are many layers to this very broad and complicated topic. Tariffs are part of international trade. They have always been. However, tariffs have never been used as a weapon as much as they are today. The issue is not just the tariffs, but the speed in which they change. Businesses can adapt to almost any scenario, but when tariffs change suddenly, it can have a devastating effect on confidence. This reduced confidence almost always leads to a lack of investments. Business and politics must co-exist. One cannot survive without the other being stable. But politics changes much faster than business, and I would caution any businesses from making long-term investment bets on short-term politics. Although it may seem advantageous today, it is easy to get caught on the other side.

Technology

For the most part, the world of fasteners has been isolated from technology. This may continue, but my concern is that the future

changes in technology may be much faster than anyone imagined. If we look at one of the fastest consolidating industries today, it would be the media industry. In the past, content producers could be stand-alone and profitable, distributing their content to separate and independent distribution channels.

Today, because of digitisation and the internet, all of this is consolidating. The future media company is one that produces their own content and owns the technology platform to distribute that content. That's why we see a mash up of companies that seemingly are in unrelated fields, because content is being commoditised.

In the fastener industry, we typically only focus on content. Meaning products we sell, whether it is fasteners or fittings or gloves. But the future distributor/wholesaler of tomorrow must also focus on technology as its second leg. Technology to improve integration and efficiencies across channels and companies. I do not believe we can live in our catalogue books forever.

We may not be able to see the future, but diversification buys us time to understand it."

Electric cars – how will this change our industries?

Electric cars uses $\frac{1}{3}$ of the components of a gas powered car. There is no transmission, no engine block, no axle or exhaust system. There is nothing but a battery and a motor. How will this change our industry when there are 66% less components being used but 3 times more of the 33% of the components being used? From my experience, when there is a higher volume but lower SKU count, it means margin shrinkage and consolidation.

So this again brings my focus to diversification. Today, BBI is not just a fastener wholesaler. We are a safety glove company with Ironclad Performance Wear. We are a hand tool company through Proffered Tools. We continue to invest into product categories that makes sense and that fits our growth model. We may not be able to see the future, but diversification buys us time to understand it. +