

Fundamentals of North American Fastener Distributors

In North America there are several pathways for fasteners to be introduced into the market. These pathways include manufacturers that sell parts they produce in North America, distributors and resellers that purchase from manufacturers or other distributors, sometimes perform value-added functions, and resell the parts, and retail establishments, such as hardware and big-box building supply stores, that purchase parts and resell them. Each channel into the market is different and provides value to customers with different needs. In this article, we will focus on fastener distributors and explore the different types that are common throughout North America.

Before investigating the different types of distributors, it is important to lay a foundation as to why distributors are successful in North American market place. In other words, why don't all fasteners simply enter the market directly through the manufacturer? Like most questions of this kind, the principal answer lies in the value that distributors are able to offer the marketplace. **Distributors commonly provide the following solutions and value to their customers:**

1. Supply Low Volume Parts:

Depending on the type of distributor, many keep vast quantities of different parts in-stock. In fact, many actually develop and maintain a "catalog" of such parts that can be easily accessed by any potential customer. This allows the distributor to be able to fulfill both small and large order quantities, sometimes even just a single part. Of course, having parts available could mean holding onto inventory for long periods of time. Carrying such inventory can have a significant cost and means that small quantity sales of these parts must often be highly marked up.

2. Support Customers That Are Not Strategic to a Manufacturer:

For many manufacturers there are fixed costs associated with each individual part number and customer that a manufacturer maintains. If a manufacturer has too many small or non-lucrative customers they may struggle to profitably survive. For this reason the astute manufacturer is constantly reviewing their customers and trimming less profitable or non-strategic customers from their customer base. In fact, some potential customers may have such a small purchase or unattractive part mix that they are unable to attract a direct manufacturing source. This may not be a problem for a distributor as they are accustomed to combining multiple customers that make many small purchases of the same part together to generate a "single" larger aggregated demand.

3. Ability to Manage a Customer's Needs:

Some customers, especially large ones with complicated products, may find maintaining the resources necessary to support the purchase of certain class-C parts to be burdensome or costly. They may be able to make a very strong case that it is simply more cost effective to turn over the administration of normal purchasing and supply functions of fasteners (and similar class-C hardware) to someone else that can do it more efficiently.

4. Ability to Provide Special Needs:

When an end-user has a special need that is outside the expertise of the typical fastener manufacturer, they may turn to a distributor for assistance. There are many different examples that could be offered to illustrate this point, but to provide one, imagine a customer that requires a product line of screws with uniquely colored painted heads. Although it certainly would not be out of the realm of possibility for a manufacturer to supply the entire line of colors, it is equally likely that they may simply not want to hassle with it. A distributor that specializes in modifying special parts might have no hesitation to step in and arrange to get the heads painted so that their customer is able to support a full line of painted head colors.

5. Hold Stock:

Many distributors may actually hold stock for certain key customers until they need it. This way the distributor is holding the inventory and not the customer. This may prove very important to a customer that is highly invested in Lean Manufacturing and wishes to supply their assembly lines utilizing just-in-time practices. Just as holding stock to support low quantity demands, holding stock for a customer's Lean Manufacturing initiatives transfers the working capital demands onto the willing distributor and must be rewarded with a premium return for the value-added.

Distributors essentially fall into one of three primary categories, Stocking Distributors, VMI Distributors, and Master Distributors.

Stocking Distributors:

Stocking Distributors have the simplest model. In essence, they stock and hold onto many parts until either an unknown customer or customers come along and purchase some or all the parts or they have a known customer that routinely purchases specific parts from them. Some stocking distributors may primarily only stock parts needed by established customers while others may maintain a counter service for walk-ins needing parts or internet sales through a catalog. Since these businesses take on some degree of risk to be holding this "on-demand" inventory that has little or no demand, they often command significant cost mark-up. Some well-known stocking distributors are companies like Grainger, McMaster Carr, Fastenal, and Brighton Best.



VMI Distributors:

VMI stands for “Vendor Managed Inventory”. VMI Distributors add value that manufacturers may be unable or unwilling to provide to a customer. Common VMI services include taking complete control of supply management of the customer’s entire fastener purchase. This means that they provide the purchasing services, maintain a warehouse to hold inventory, maintain safety inventory, physically review plant level stock quantities and refurbish depleted stock when necessary, and provide special services like sorting, part modification, or kit building (where a number of different parts, and sometimes installation tools, are aggregated into a “kit” that is provided with a customer’s product for assembly by the purchaser or end user.) Once again, the distributor may provide a significant mark-up over what the parts could be purchased for directly from the manufacturer, but it is very much worth it to the customer considering all the value they receive from the VMI services provided. Some well-known VMI distributors include companies like Bossard, Bamal, Optimas, Würth, and many small, regional distributors that are committed to supporting the needs of a select group of esteemed customers.

Master Distributors:

A Master Distributor is essentially a distributor that sells to other distributors. A Master Distribution arrangement is often a convenient way for a brand or proprietary product owner to manage parts in the supply chain. By choosing a Master Distributor, they get someone that is able to develop a supply channel strategy and manage distribution of the product to other distributors and customers alike. This strategy has been used by some manufacturers and owners of proprietary or branded products that do not have the reach into the market that a well-established Master Distributor will possess. Examples of some North American Master Distributors include G.L. Huyett, EFC International, and Lindstrom.

Of course many distributors are not exclusively one type. **In fact, many distributors simultaneously function as two or three of these distributor business types. In particular, it is not at all uncommon to find a distributor that performs simple stocking services but also VMI services. Some distributors also engage in some manufacturing.** In most cases, it is a small percentage of their total turnover, but companies like Fastenal and Optimas both have manufacturing arms that service some focused parts of their business.

There has long been tension that seems to exist between the fastener manufacturing and fastener distribution communities. However, both are very necessary to maintain a healthy and vibrant North American fastener industry. The reality is that there are many services that fastener manufacturers are simply unable or unwilling to do that distributors are quite good at. These strengths allow an entire segment of customers to be happily served that otherwise might not be. The strong presence of fastener distribution in North America also provides foreign manufacturers an opportunity to serve the North American market. ■

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SCREWS & NAILS

- Masonry screw. Self-Drilling screw. Roofing screw. Chipboard screw
- Roofing Coil Nail. Drywall Nails. Concrete Nails. Common Nails. Bulk Nails.....
- Small box package (1lb, 5lb, 100/200/500/1000 pcs per box) are welcome



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