



BRIGHTON-BEST INTERNATIONAL

Redefining Value

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“The strength of Brighton-Best is the ability to redefine the channel and to build efficiencies throughout the distribution process.”

-Mr. Robert Shieh



Dear Valued Distributors,

Twenty years ago, in a shared taxi ride to the airport, I was fortunate to be introduced to Brighton-Best and now have become its Chairman and CEO. With Brighton-Best, I hope to elevate the value a master distributor provides to its distributors and customers as I have done with the Ta Chen International Group, parent of Brighton-Best International.

I started my career as a sales manager with San Shing Fastech Corp. With San Shing, I had the opportunity to sell nut formers around the world, travelling to North and South America along with Europe and Africa. From visiting manufacturers around the world, I learned about the fastener industry first hand from many of my customers and always had the desire of returning to this industry.

I left San Shing after 10 years to start Ta Chen out of necessity. Of my salary, one third went to support my extended family, another one third to my immediate family, and what was left went into savings. With my two children growing up along with the increasing needs of my family, I decided to take my future into my own hands and start my own company.

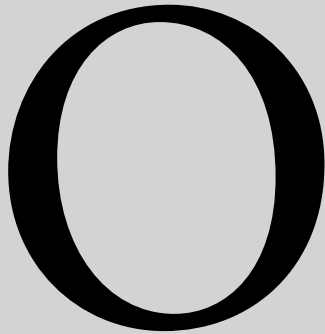
In 1986, I started Ta Chen with the support from eleven investors and friends each providing \$7,000. To limit overhead expenses and reduce liabilities, I set out to work in the United States initially living in the warehouse, conducting my own sales calls, and driving my own delivery routes to customers. Today, the Ta Chen Group is a publicly traded company on the Taiwanese Stock exchange with over 3,000 employees and over \$1 billion in sales worldwide, \$857 million of which originated in the United States alone in 2008.

To grow Ta Chen, I knew the value proposition had to be redefined to my customers. I envisioned the market place to be an environment where our customers can realize the true value of a master distributor who has the full depth and breadth of inventory, high quality products, competitive prices, and delivered with uncompromising service. Fasteners have been around for hundreds of years, and will continue to be here for hundreds more. Our distinction is how we go to market and the efficiencies we can build into the value chain. From these next few pages, I hope to give you a better understanding of our company, our mission, and our culture. Welcome to our story.

Best Regards,

Robert Shieh





nce you get a taste of the fastener industry, you ALWAYS go back. "I could not have hoped for a better platform to get back into fasteners."

Inventory

The newly formed Brighton-Best International (BBI) is no longer limited to alloy socket screws. We now carry a full range of Medium Carbon, Low Carbon, and Stainless Hex Heads, Sockets, Nuts, Washers, and more. The vision for the new BBI is to be a "one-stop-shop" for all fastener purchases. Purchasing managers no longer have to cut separate purchase orders for all the different product categories. Through the simple reduction in the number of POs placed, our distributors will be able to increase their own efficiencies.

With our website, customers are able to see the real-time availability of our inventory. With over one million square feet of warehouse space in twenty locations throughout the United States,

and cooperation where the supplier and BBI both grow through stability and economies of scale.

When a master distributor forces its manufacturers to price at its break-even or no profit point, the factories will find a way to make money by cutting costs. A lesser grade base material may be used, tooling on machines may be replaced less frequently, sample tests may be conducted on every 10,000 pieces rather than 1,000 pieces, etc. Businesses all need to be profitable to support their employees, their factories, and their families.

We look to build a true partnership with our supplier base, and by definition of a true partnership, we ensure that our suppliers will make money by doing business with Brighton-Best. A supplier who is always scraping by will lead to not only poor quality products over time, but will also not be sustainable.

Pricing

Most fastener distribution companies concentrate on perfecting one business model: Distribution. At Brighton-Best, we understand that for us to be good at distribution we have to first understand manufacturing. Price increases from suppliers and manufacturers are not arbitrary or irrational but rather stems from the pricing of raw materials and costs of conversion. We have built a team of executives and staff who have dedicated and deep experience / knowledge in both fastener manufacturing and distribution. By understanding each cost component of fastener manufacturing, BBI can ensure that it will be able



to source at the most competitive pricing and therefore provide pricing stability to its customers now as well as in the future.

Service

Customer service has always been a part of Brighton-Best's culture and is ingrained in each and every employee at BBI. Our goal is to return a customer's loyalty and commitment through excellent customer service at all levels. "We believe that great inventory and pricing can only take a company so far. If you cannot provide the world-class customer service and delivery to your customers, they will eventually take their business elsewhere." We strive to build a relationship of trust with every customer:

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"Inventory availability is the core of our value proposition."

-Mr. Robert Shieh

why incur unnecessary holding and storing costs? We welcome our customers to use our inventory as their own.

Quality

"We are all connected in the distribution chain by trust and mutual reliance. If BBI forces its suppliers to sell at unsustainable costs or its customers to buy at non-competitive prices, the chain will be weakened and eventually break. In order for BBI to succeed, its customers as well as its suppliers must thrive."

BBI only partners with proven, high quality suppliers and manufacturers throughout the world. BBI has been working with many of its suppliers for over 30 years. The relationship is one of partnership



“As with every Ta Chen venture, the success of the company gets translated

- The trust that the inventory will be available.
- The trust that the pricing will be most competitive.
- The trust that the product will be delivered when requested.
- The trust that the products are high quality and from a reputable source.
- The trust that BBI will be around to provide the highest possible level of customer service for the next one hundred years.

At BBI, every order, large or small, is important.

veteran and BBI Vice President, Steve Andrasik.

Many people wonder why BBI pushes the web so hard. Certainly the web offers benefits to Brighton-Best. It allows our sales force to be more customer service oriented and true salesmen rather than just order takers. However, the true benefit to the web is to our distributors.



The web is a portal to our market place. From this portal, our customers will be able to see the full breadth and depth of our inventory, find pricing, and reduce their own procurement costs by minimizing quoting time. Available 24/7, the web allows



into financial reward for the employees, vendors and customers.”

Technology

Technology is the core of who we are as a company. Ta Chen and Brighton-Best have over 40 IT professionals in Taiwan and the United States to support our growth. All our systems from the order entry system to our warehouse management and inventory controls are all developed in-house. The benefits of having an internal IT group are enormous as we are not reliant on inflexible third party providers to develop and enhance our programs. Our IT system is a living fabric, always evolving to better meet the needs of our company and our customers. “The acquisition of Brighton-Best by Ta Chen has opened the doors to new technologies that we could not have imagined in the past,” says industry

our distributors to utilize Brighton-Best’s one million square feet of warehouse space as their own without any hold-time on the phone. There are other benefits such as finding material certifications and the ability to check order status and track shipments.

“Within seven months, Brighton-Best moved 15 of our warehouses to reach one million square feet of warehousing space in the United States. Each of our regions experienced growth.”

Conclusion

The strength of Brighton-Best is the ability to redefine the channel and to build efficiencies throughout the distribution process. With our

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“Our primary goal is to remove excess unnecessary costs from the distribution chain so that we can pass through savings onto our distributors.” -Mr. Robert Shieh

suppliers, we looked to build efficiencies by providing consistent orders so they can better plan their production cycle. In terms of warehouse distribution, we have more than doubled our regional warehouse square footage to eliminate warehouse to warehouse transfer costs. And for our distributors, we now offer our web portal through which our customers can rely on our technological platform as their own. Our primary goal is to remove excess and unnecessary costs from the distribution chain so that we can pass through savings onto our distributors. This is the reason why we are able to provide a high quality product at the most competitive pricing.



Interview with Robert:

What is BBI's niche?

BBI has several core strengths. First, our financials are second to none in the master distribution industry. Brighton-Best is backed by the Ta Chen Group, a \$1 billion dollar company, and a consortium of some of the largest banks and institutions in Taiwan. Second is our inventory. Although the market has softened, we continue to invest in our inventory levels. Currently, Brighton-Best has as much tonnage on-order and on water as the company does on-hand in the entire United States. We are doubling our inventory, focusing on medium carbon, low carbon, and stainless. Our third strength is our IT systems. Everything developed for Brighton-Best has been developed in-house by our IT staff of 40 professionals. This system is constantly evolving and changing to better accommodate the needs of our distributors and of Brighton-Best. Finally, we have some of the most respected individuals in the industry working for BBI. In the past 12 months, we have expanded 15 of our warehouses across the US, completely revamped our IT systems, and changed the way we sell to our distributor base, all while achieving the highest sales in Brighton-Best's history.

Why should distributors buy from a master distributor – what's the benefit versus going overseas and purchasing directly?

We have certainly seen distributors looking

to purchase overseas, and if it makes sense for those companies to do so, then it is their responsibility to do what is best for their company. However, there are a lot of hidden costs to purchasing direct. The first is commodity exposure. Having purchased stainless for the past 29 years, I am all too familiar with unpredictable commodity prices. Fortunately, both BBI and TCI have a strong backing financially to not only weather these storms but also to shield our distributors from these commodity fluctuations and risks. The second hidden cost is the inventory carrying costs. There's at least an opportunity cost of 5% per annum on the capital deployed to purchase inventory, whether that's the interest rate on the line of credit, or opportunity cost for putting cash into a bank and collecting that interest. Not to mention the additional costs to overhead (personnel to handle the inventory), infrastructure (additional warehouses needed to handle stock), and taxes on inventory assets at the end of the year. Inventory is a master distributor's bread and butter, it is what we do and what we do well, thus freeing our distributors to focus on servicing their customer base while not having to worry about commodity prices or inventory holding costs.



How has Ta Chen (TCI) been able to transform the stainless industry and how will BBI transform the fastener industry?

When I first started Ta Chen, I focused on the Pipes / Valves / Fittings product group. Today, this group accounts for only 18% of TCI overall sales. TCI was the only distributor to bring all these different product groups under one roof, and this presented enormous benefits to our distributors who relied on our stock. They no longer had to seek out these product groups through multiple phone calls to multiple master distributors. Distributors could easily find what they needed either online or through a TCI representative, and reduce their cost of purchasing. The same you can see at Brighton-Best. Where the industry was fragmented previously between Sockets / Hex Heads / Low Carbon / and Stainless providers, now



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distributors can find all these product groups at BBI. The second reason I would say is trust. Over the course of the past 8 years, TCI's distributors developed a trust in our website and our pricing. For example, at TCI, we currently conduct over 75% of our sales online. In LA, the percentage is 90%+. TCI customers no longer call in to quote or place orders because they know that the web price is the best price not only from TCI but also in the industry.

What is your leadership style and how do you manage a 3,000 person workforce?

It is impossible to tell 3,000 people what their job functions are down to every single detail. I have a management philosophy of "Structure / No Structure." The no-structure means that each manager at Ta Chen or Brighton-Best needs to liberate its people to do what they believe is in the best interest of the company. When I hire someone, I look for only a few things. I look for heart – is this a good person, is he or she supporting a family; for eagerness – is this person willing to learn and go beyond their basic job description; and lastly for dedication – does this person believe in BBI's value proposition and will this person stay for the long-term in our company. My only job from there is to make sure each employee is doing what he / she is good at and to place them in a situation where they could succeed. One of my most basic



beliefs is that if a person fails at TCI / BBI, it is my fault. All I ask from the employees are that they believe in what they are doing.

How do you work 16 hours a day managing two large companies in eight countries with over 3,000 employees?

One word goes through my mind all day, and that's appreciation. I appreciate the opportunities that have allowed me to build my companies. I appreciate all the hard working employees at Ta Chen and Brighton-Best. I appreciate my family, friends, and partners who have stuck with me through the past 29 years. Lastly, I appreciate our customers who have continued to support us through good and bad times. When you appreciate what you are doing, it no longer becomes work.

History of Brighton-Best Socket Screw

Best Socket Screw started in business in New York, N.Y. in 1965 and was located at 3 Howard Street in what is currently known as the SoHo district of New York City. The founders, Mr. Stan Sevell and Mr. Perry Rosenstein, both had extensive experience in the distribution of fastener products both locally and nationwide. In

1971, the two entrepreneurs purchased the assets of Brighton Socket Screw Manufacturing, a quality manufacturer of Socket Screw products in Cincinnati, Ohio. By joining the two companies together, Mr. Sevell and Mr. Rosenstein created Brighton-Best Socket Mfg. Inc., a company that would ultimately become a major supplier of

socket screw products in the United States. By 1975, Brighton-Best had opened 12 warehouse distribution centers throughout the US and was looking for expansion opportunities abroad. The first foreign expansion came in Toronto, Canada and the opening of four other warehouses in Canada quickly followed suit. Over the next

20 years, Brighton-Best Socket Screw continued to open distribution centers in the USA, UK, Brazil, Mexico, New Zealand, Argentina and Australia. Brighton-Best is currently located in 34 locations in 6 countries and supplies over 7,000 distributors throughout the world.



The Brighton-Best first building in Ohio, 1925