



# BRIGHTON-BEST INT'L, INC.

## 大成國際鋼鐵股份有限公司

*Interview with the Rising Star  
of the Fastener Industry:*

## BBI President, Mr. Jun Xu



Under the effects of the Covid-19 pandemic on the global industries, many important supply chains around the world are reported to have been suffering from factory shutdowns or manufacturing procedures in disorder, and so is the U.S., which has been always considered the barometer of the global economic development. This time, Fastener World is very pleased to have Mr. Jun Xu, president of Brighton-Best International (BBI) to share with us what's happening in U.S. market, how is BBI responding to it, and his views about how to weather this difficult time.

**Q:** *With the continuous spread of the pandemic and the spiking unemployment rate in the U.S., have you seen any significant changes in the supply and demand of U.S. fastener and relevant products markets?*

**A:**

These are unprecedented times. As I am writing this, the USA has far surpassed China with the highest count of COVID-19 cases - with little sign that the rate of growth is slowing down. The US reported over 10 million unemployment filings in the last 2 weeks with some projections for it to double even further at its peak. But there is also hope, and as an industry, I believe the fastener industry is luckier than most.



The main impacted industries are those in the services sector. Restaurants / Hotels / Airlines have seen a dramatic slowdown if not stoppage in business. However, for manufacturers – especially those considered essential businesses and who manufacture essential products (medical supplies / agriculture / transportation to name a few), business continues.

For BBI, we continue to operate as we provide components that go into a wide variety of essential products. Although demand is down, BBI continues to ship 100% of our orders each day. Further, the diversification of BBI's product range into PPE and Ironclad Gloves has helped us weather this storm.

**Q:** *As U.S. largest fastener and relevant products supplier, has any of the operations and product supply chains of BBI been also influenced by the pandemic?*



**A:**

Overall, BBI's fastener suppliers are stable. We buy mostly from China and Taiwan, and about 10-15% of our volume comes from Southeast Asia. Currently China and Taiwan are fine. But as the virus hits the Southeast Asian countries, we are seeing stoppages and lockdowns.

The greatest effect to our supply chain is actually in PPE, not fasteners. Many of the nitrile gloves are made in Malaysia, and as demand surged 2-3x, Malaysia also entered into a lockdown. This obviously has a tremendous impact on the supply of this product.





**Has BBI already taken any proper emergency actions against the pandemic and maintain normal operation?**



Since the start of the pandemic in China, we have taken precautionary measures to protect our employees and warehouses. Initially we distributed N95 masks to our own employees in January – long before the pandemic hit the USA in force. Since then, we have also implemented many safeguards, among which are:



- If an employee has a fever, we send them home immediately. They are to self-isolate for a week, and if they are still sick, they need to get tested for COVID-19 before we allow them back to work. Or the individual will need a doctor's note explaining why a test was not necessary.
- Sales offices are operating with reduced staffing in the offices and more working from home.
- Warehouses are operating with as few people as possible while still able to maintain our shipping and service levels.
- Everyone is practicing social distancing (separating 6 ft from any other individual) in the office and warehouse.
- Minimizing pick-up orders by telling customers we prefer to ship LTL or UPS instead
- Sanitizing our offices and warehouses every 4 hours by wiping down – with 60%+ alcohol or a disinfecting wipe - common touch areas: Door handles / lunch tables / water faucets / etc...
- All doors that don't need to be closed will stay open to reduce common touches by all employees.
- Warehouse employees to start wearing nitrile gloves and masks as needed.
- Urging hand washing with soap and water as frequently as possible.

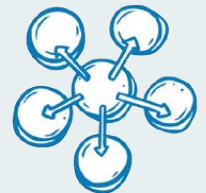
Although it is impossible to eliminate the risk, we are doing everything we can to minimize the risk. I am very proud of the way BBI employees have handled the situation. Taking all the necessary safety precautions, but also maintaining a pragmatic mindset of the reality we are in and pushing forward.



**BBI successfully transformed itself from selling products to focusing on helping distributors grow and succeed. Under the effects of the pandemic, does BBI have any solutions for partnered distributors and customers to tackle the supply shortage?**



Currently there is no shortage of fasteners. However, there is a shortage of PPE products. The speed of recovery depends on the product and the capital expenses needed to manufacture the product. If a PPE product takes large capital expenditures and higher fixed cost investments, capacity will likely not increase much to meet the surge in demand. Likewise, if a PPE product takes more variable costs, it will ramp up more quickly.



**What is your thought about U.S. Government's recent stimulus bill of nearly US\$ 2 trillion and the quantitative easing policy? Do you think these might be helpful to get the operation of U.S. relevant fastener industries back on track soon?**



Yes, this will certainly help. There are two main packages. Under a small business package (for companies less than 500 employees), the government is instructing banks to provide loans which can be forgiven (essentially grants), to help small businesses stay afloat. A second package targets the larger businesses in the capital markets for financing. However this second package comes with a number of government contingencies that are at this point obscure and difficult to understand.



For the \$2.2 trillion dollar package, the US government is essentially printing money. This usually carries a risk of higher inflation and a devaluation of the currency, but as everything is relative in economics, the US dollar is as strong as ever. So there is little risk of devaluation while the entire world is facing the same pandemic and investors continue to seek safe haven currencies like the US dollar.

The US will likely pass a further stimulus packages, focused not only on direct payment to individuals, but also a fiscal stimulus package to promote infrastructure build.





*Being once a member of NFDA' BoD and guest speaker of many industry sessions, you may have had better idea what situation some U.S. fastener companies are currently in. Do you have any suggestions or words to say to BBI's partnered customers (either in the U.S. or other countries) for working and uniting together to pass the difficult time?*



I think individual distributors are seeing an amplified version of reality, meaning, if you're a distributor in a specific market, your world and reality may be far different from another distributor in another market. If you happen to not be in the business making hospital beds or ventilators, you need to conserve cash to weather this storm. Take the small business assistance being provided. There will be an upside to this as the economy recovers. There were no fundamental problems with the US economy when the pandemic occurred, so there will be a recovery and an upside to this.

I also encourage distributors to diversify, diversify, and diversify. Especially into PPE. We believe the fundamental mindset for US citizens will have changed after this. Grocery store clerks will be required to wear nitrile gloves. Masks will become more common in society. What has occurred is not a one-time surge in PPE demand, but categorical shift in mindset for what PPE is required for every jobs in America.

BBI will be fine because we began our diversification 3 years ago. My only regret is that we did not do it more aggressively.



*As the development of a vaccine for the Covid-19 seems still a long way to go, some experts have forecast that the pandemic may last longer. What is your thought about the fastener market in N. America in the 2nd half of 2020?*



A vaccine is at least 12 months away. However, the business environment will begin to improve far before then. Personally I think things will begin to normalize by the end of June. Because as more people get infected - and recover - there is less ability for the virus to grow exponentially.

COVID-19 has an exponential growth factor of 2 to 2.5. This is a new virus, and nothing in our bodies from the millions of years of human evolution could protect us from this virus. So anyone the virus touches becomes infected. As the number of recovered people increase in society, the growth factor will slow down. Rather than 2 new people getting infected for each 1 individual, it will fall to 1.8 or 1.5. Because this is exponential, a small change in the exponential factor leads to a large change in absolute numbers.

There are also experiments with extracting anti-bodies from recovered patient's blood plasma. This has proved effective in some cases and was a technique used on the Ebola outbreak in Africa. So there is hope.

But the one factor that can help improve recovery more quickly is more testing. If we are able to know which 1% of the population is infected, we can let the other 99% go to work. Right now, 100% of the population is being affected by lockdowns because we don't know who is infected or not. I think in a future review of the pandemic responses by governments, this will be a crucial find.

# 2020

For fasteners, the industry is driven by demand and consumption. So the faster people can get back to work to make money - the faster they will buy cars and houses with that money.



*What is your thought about the fastener market in Europe or Asia in the 2nd half of 2020?*



I think the biggest difference between the USA, Europe, and Asia is the level of consolidation versus fragmentation. For an equal sized market, Europe has probably 4-5x as many players. Although there may not be hard economic barriers as before the EU - there are hard



cultural barriers keeping businesses apart. The US market, being more consolidated, can adapt faster to change. There is less inertia in the USA than in Europe. So I believe the US market will recover more quickly than in Europe. Apologies beforehand to my European friends for saying that.

Asia will continue to be the growth engine for the world in the 21st century. But with so many people and opportunities, the market is also very fragmented. Take N95 masks as an example. Almost overnight, thousands of new trading companies and manufacturers started operating - promising oversea buyers with access to N95 masks. Many were individuals living at home, buying from a retail store and shipping out. This is entrepreneurship in its purest form, but at the same time, it obscures the truly strong and qualified manufacturers from stepping ahead at the greatest time of need. But this is also a characteristic that defines Asia, and the characteristic that built the great companies of Asia today. So certainly more steps are taken forward than backwards.



*Facing the fast-changing market and so many external factors that may influence the market, does BBI have any new plans or expectations toward the 2nd half of 2020 or 2021?*

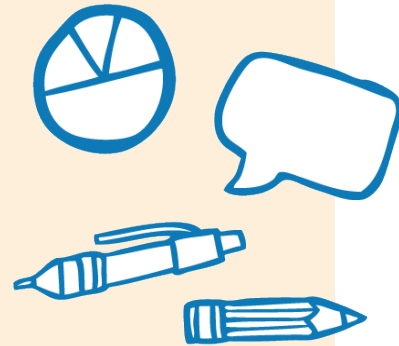


BBI's fastener sales in the USA at this point is highly influenced by US GDP. We are very solid and stable in this category. However as a company, we are always looking for markets where BBI is small, but the opportunity is big, so that regardless of the economy - we can continue to grow. We believe this will mainly be in safety products and BBI already has a great platform in our Ironclad glove brand.

Further, we will be focused on investing in technology. Both technology to sell products, and technology to integrate with our distributors a more seamless operation. I brought up an example of the media industry in a prior article. How Media used to be split into product, and distribution of product. In the past, a production company can make a movie or TV series, and another company would focus on distribution of that movie or TV show.

Today, because of digitization, everyone is doing everything. The digitization of data is forcing a consolidation, to the point where production companies cannot exist independently without their own distribution channel. You only have to look at Netflix, Disney, HBO to understand this trend.

With fasteners, too many of us are just focused on product. While I don't see the same shift in commoditization and digitization of fasteners, I do think there are lessons we can learn from media companies in how to be more organized going into the future. The better fastener company will be one that not only sells product, but also technology to help them sell and integrate that product into the supply chain.



*Are there any other words you'd also like to share with our readers?*



The US is a strong and resilient country. We are a strong and resilient world. There are stories of heroism every day that will make you proud of humanity. We will get past this. We always have, and as a human race, we have faced far worse with far fewer weapons to fight back in our history. As you read this, just remember that we are the lucky ones. Think of all those who have suffered much worse - and help them. Our industry will return. Because the world cannot live without fasteners.

If this virus has taught us any lesson, it is that we are all the same. Regardless of ethnicity, religion, wealth, or sexuality, we are all the same. And if we don't let the politics of our world divide us, I believe we will come out of this stronger and care for one another more deeply than ever before. I hope. ■

