

Catching up with... Ekkehard Beermann

Between his recent marriage, a business life shared between Europe and Asia, and the not insignificant matter of a global recession to contend with, Fastbolt CEO, Ekkehard Beermann, is not the easiest of men to pin down. We decided to fire the questions and let him answer from which every part of the world he was at the time.

F+FM: Every European market has been seriously impacted by the recession and that has clearly backwashed to the importer/wholesaler point of the supply chain. What have been the implications for Fastbolt in the first half 2009?

EB: I think wholesalers in general were extremely hard hit by what happened in the first half of 2009. I certainly had not experienced anything similar since joining Fastbolt in 2001. We know ups and we also know downs but the past six months were unquestionably exceptional.

After a very strong 2008, dominated by significant price changes and uncertainty over the pending decision on the EU anti-dumping case for carbon steel fasteners from China, we ended up with high inventory towards the end of the year – only to find ourselves in an early 2009 market where most customers had basically stopped their buying activities due to the recession.

The entire European fastener market was highly overstocked. Consumption dropped dramatically and competition became stronger than ever. Like many others we were forced to reduce our cost base significantly in order to reflect the market situation. At the same time we had to optimise our sales activities to avoid losses in market share to “hungry” competitors.

software tools to improve the efficiency of our purchasing and both sales department in Germany and in the UK.

So far, we have successfully weathered the first and hopefully most severe part of the “storm”. June and July showed slight improvement of the market condition which is a good sign for the upcoming fall. Some of our suppliers in the Far East also recently reported a small increase in incoming orders, mostly from the European market, showing that it starts moving, at least a little.

F+FM: In recent years Fastbolt has built strong relationships in China and invested substantially there. In February stringent anti-dumping tariffs were applied to fastener imports from China. How has Fastbolt been forced to adapt its businesses supplying the European market, and where does it leave Fastbolt’s Chinese operations?

EB: For a fairly small company like ours launching an operation in China was a big step. When we established Fastbolt China in 2005 we knew that there was always the chance that the future might bring changes to our purchasing focus at the time, which was certainly on China. However, we felt that a presence in this rapidly expanding economy was a promising growth opportunity for our company. That has proved to be the case for the past three and half years. FQC – our QC laboratory in Shanghai, established in 2007 as a joint venture with Ferdinand Gross GmbH & Co. KG – added further significant value to our supply chain and enabled us at the same time to develop new business fields, which we would have never touched without this excellent facility.

Obviously the application of the anti-dumping tariffs changed both Fastbolt China’s and FQC’s business. Towards the European market Fastbolt China nowadays is purely focussed on selling parts that are not impacted by the anti-dumping – special parts, threaded rod, nuts, etc.

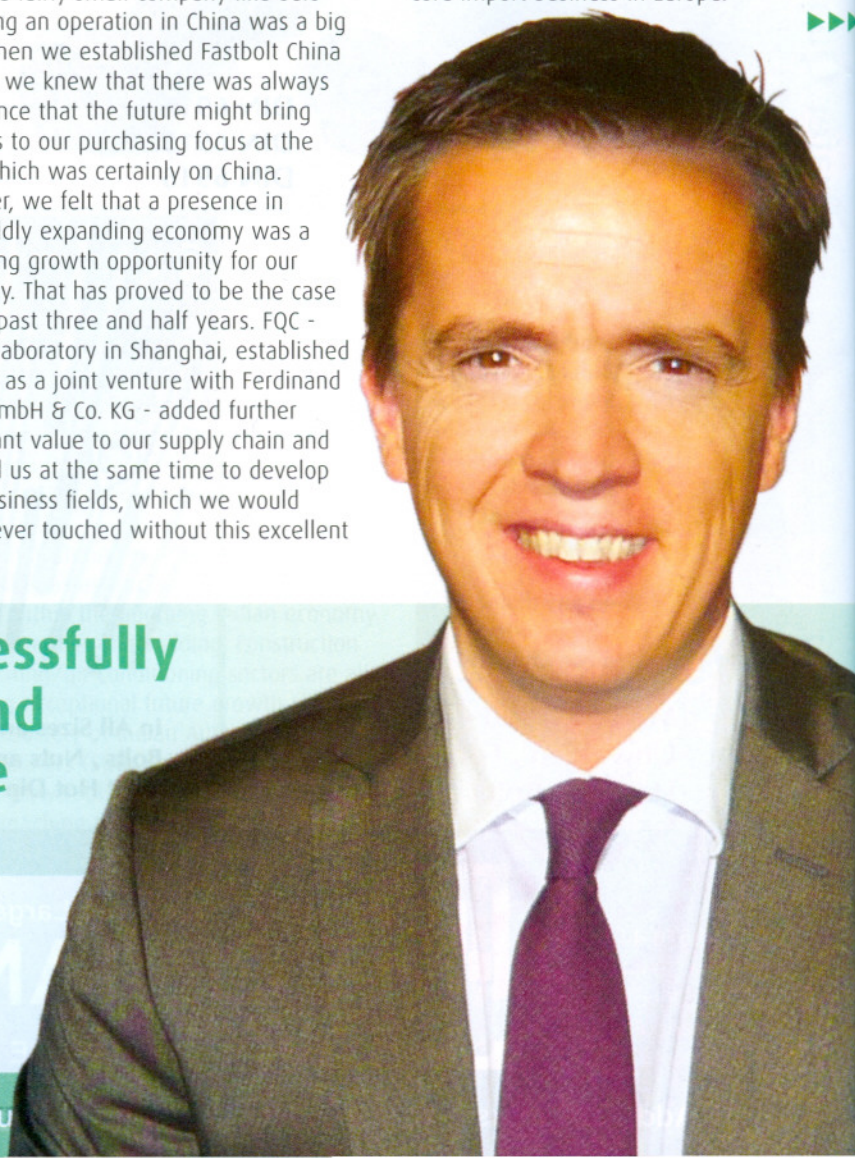
At the same time we have started to sell well-known fastener-related products domestically in China. Fastbolt, for example, has become the exclusive agent in China for Greenslade & Company fastener inspection equipment. This is a perfect add-on to the third-party inspection service that FQC offers more and more now, having successfully completed the certification process to obtain its ISO 17025 standard.

We try to widen our focus a little in China, which makes us more independent and offers greater opportunity. The next months will show if these measures can sufficiently compensate for the fact that Fastbolt China can no longer support our core import business in Europe.

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That means adapting to market conditions and being quick to redefine our business model.

We also used the time to optimise many of our internal processes and develop





F+FM: If we consider these two major upheavals what are the implications for the Fastbolt business model in the short term?

EB: Anti-dumping is the obvious change in the supply market. Fastbolt is highly specialised in small screws and 8.8 bolts so that law would have affected 100% of our stock range, were we to have been totally reliant on China. We have, though, maintained long lasting relationships with manufacturers across the world. That said, China had become for us, as for others, the most important supply market. So, sourcing our product without the Chinese manufacturing base is a challenging project – one of the many reasons we so firmly opposed anti-dumping as a whole.

Certain product groups will be harder to source than ever before, once worldwide fastener demand starts to grow again. Reliable production capacity outside of China is quite limited and will quickly be booked. The strength of our importing know-how, developed over 27 years, will be a determining factor in ensuring stable quality, consistent availability and competitive prices to our customers. As always with adversity comes opportunity, and succeeding in this aspect will certainly strengthen our market position as a wholesaler.

F+FM: In the last few weeks it has become clear that EU member states have reported significant incidences of anti-dumping circumvention to OLAF. What is your view about the level and implications of anti-dumping circumvention?

EB: Fastbolt strongly opposed the anti-dumping application during the investigation period. I still believe this kind of protectionism, implementing trade barriers into our globalised world economy, is an unfair and unwise act, in the end bringing more disadvantages than advantages.

Today, however, we have to live with the consequences of the EU's decision and find our way in a "new fastener world" – where the clock has turned back some 15 years, to when China was hardly on the radar of European fastener buyers.

It is inevitable that some people will attempt to get around the law. Just like any other fastener importer we have been approached several times by companies proposing transfer schemes in which Chinese product gets shipped to Europe via a third country with "fresh and clean papers".

For Fastbolt, importing is a primary part of our business model and we will not, at any point, get involved in this type of scheme. In fact, Fastbolt's sourcing procedure takes utmost care to ensure that

the product that we buy (of the ranges covered by the anti-dumping regulation) is definitely not manufactured in China. We see it as a primary duty to be very "black and white" – however ill conceived we might feel the legislation to be.

Obviously that means we have a strong interest that other companies follow the rule as strictly as we do. From what I hear in our industry this is, unfortunately, not always the case. I can only recommend everybody to stay away from those businesses because the penalties for those who get caught are extremely tough.

F+FM: Fastbolt will, as usual, have a major presence at the Fastener Fair Stuttgart. What product developments will be featured on the stand?

EB: Recently our focus has been, for obvious reasons, to sell the existing product range in order to reduce stock levels – although plenty of range expansions were planned for the last six months. Range expansion means additional space. After postponing the warehouse expansion for our German operation at the end of 2007 we are limited

and industries. It is, however, an absolute necessity to have this broader view on the company development.

Until the end of 2008 we had continuously expanded our business into different areas of both products and geographic sales markets. At the same time we strived to add more and more value and service to the fasteners we supplied. Today we offer a huge range of individual logistics and quality-related extra services to our customers. These, in many cases, make us an integral and very important part of our customers supply chain – as opposed to "just" delivering pallets of 16x50s.

Customised solutions that add value to our role within the supply chain will be one main focus of our long-term plan. Distributors want to lower their inventory, optimise their buying quantities and increase their stock turn. It has always been like this. What is new, though, is the increasing number of distributors that are far more open to considering the total cost calculations of their buying procedures than even 5 years ago. We want to be there and support these distributors within that optimisation process.

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as far as storage capacity is concerned. We have been using an external warehouse now for almost two years – in addition to the 16,000 own pallet spaces within Fastbolt Germany and UK combined. For Stuttgart, however, we are glad to inform our customers about two different product additions. As of October this year we will offer a core range of threaded rod, available on stock in both 4.8 and 8.8 from M3-M24. Also we have just added about 120 new sizes in different head shapes to our Plasfast® 30 range.

The next big product group development is currently being prepared. It won't be in time for Stuttgart – instead we will be looking for a launch in the first quarter of 2010.

F+FM: Looking longer term, now, where do you see Fastbolt focusing its energies?

EB: The terminology "longer term" sounds a bit ambitious in these times of sudden changes and redefinitions of entire markets

At the same time we need to continuously improve our attractiveness towards customers as far as our product range is concerned, without diluting our role as a quality supplier and range specialist. Considering the number of customers all over Europe to whom we currently sell a very specialised range, expansion of the product programme offers the highest growth potentials.

Everything depends on when markets come back and when demand justifies further investments in product range again. That's one reason why I am very excited to come to the Fastener Fair in Stuttgart this year – to find out what customers and manufacturers report about their current situation and what their individual forecast is. There is something new at every trade fair but considering all the things that happened in our industry and in the global economy we certainly feel that Stuttgart this year will be special.



Fastener Fair Stuttgart
7-8 Oct 2009, Hall 6 Stand B8