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Chapter  
Small Talk

# Fastenal Company (FAST)




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## How Fastenal makes money--

- Fastenal Company
  - Started by Bob Kierlin in Winona, Minnesota.
  - In 1967 the original business plan was to dispense nuts and bolts via custom vending machines, but the idea proved to be ahead of its time.

- Fastenal provides:
  - Fasteners, tools and supplies
- Companies use them to:
  - Manufacture products, build structures, protect their personnel, and maintain their facilities and equipment
- Where:
  - In 21 countries, primarily U.S., Canada, Mexico and Europe, through 14 distribution centers to 2,503 stores




### How Fastenal operates

1. Traditional Stores – peaked in 2013
2. Overseas stores – focuses on manufacturing customers and fasteners product line
3. Strategic account stores – unique locations sell to large accounts
4. Strategic account sites – operate out of existing stores
5. On-site locations – selling unit in or near customer facility



### Onsite locations

Basic on-site –  
 Dedicated inventory and staffing at customer facility  
 Same day delivery for locally stocked inventory  
 Uses own captive fleet to move inventory

Industrial vending machines  
 finally implemented in 2008  
 now 62,800 installed



**FAST P.O.Ds** = on-site away from local store

Fully customizable, 24/7 availability, secure



### Motto: Growth Through Customer Service

#### Fastenal Business School

- Teaches leadership, store best practices, sales and marketing, product education and distribution
- In 2015, Fastenal employees completed nearly 478,000 online and instructor-led training courses.
- Over 95% of our current branch managers were promoted from within, and nearly all of senior company leaders began their Fastenal careers in entry-level positions.



- **Forbes** -- Ranked #44, in 2015 listing of the "100 Most Innovative Companies."
- **Harvard Business Review and the Reputation Institute**--One of the world's 10 best companies in terms of company/CEO reputation, according to a 2015 study.



### Industry Outlook—Retail Building Supply

- The Retail Building Supply industry
  - Has performed well the last three months.
  - It is in the top third of the Value Line universe.
  - This type of retailer should be large beneficiaries of the new tax law.
    - How their customers would benefit is not clear. How the law would impact mortgage interest might have a definite effect.



### SWOT Analysis

- ❖ **Strengths** – Internal factors that may positively influence company performance
- ❖ **Weaknesses** - Internal factors that may negatively influence company performance
- ❖ **Opportunities** - External factors that may positively influence company performance
- ❖ **Threats** – External factors that may negatively influence company performance



### SWOT--Strengths

- Vending and on-site programs have long term expansion potential. (1.7M vending machines, 15,000 on-site programs)
- Fastenal can use its national scale, broad product range, and inventory management services to stave off competitors
- Fastenal broad suite of products and services helps offset cyclical nature of customers business.
- Customer switching costs
- Preferential supplier pricing





### SWOT--Weaknesses

- Amazon Business could take market share and pressure margins
- Non-fastener sales, national accounts may put pressure on margins
- Move to non-fasteners could dilute differentiation
- Store count has declined 8% since 2013. New stores no longer growth driver due to market saturation and e-commerce.



## SWOT--Opportunities



- Can further take advantage of its network of customers and suppliers
- Fragmented market strengthens Fastenal's scale and huge footprint
- Scale-driven cost advantages over smaller, less capable competitors
- Expansion of its efficient and scalable distribution network



13



## SWOT--Threats

- Low barriers to entry in this product distribution business
- Customer and supplier bargaining power
- Margins will be under pressure because Fastenal tends to emphasize national accounts, on-site programs and the highly competitive MRO (management, repair & operations) products



14

## Questions?



15