

File note – call with Brendan Mulheran, Group Operations Manager, Carbatec – 07/03/2018

Carbatec is supportive of the Festool and Fein RPM conduct. Carbatec would be disappointed if the conduct were not to continue.

Carbatec has 8 dealerships (7 of which stock Festool). Carbatec is a big customer of Festool. Carbatec is intending to stock the Fein products again (Carbatec stocked Fein products until about 8 years ago).

Both Festool and Fein are premium products. Fein is a sister company to Festool (e.g. both German companies and make spare parts for each other).

The RPM conduct works well and makes it easier for dealers (as long as all the dealers stick to the rules). Because dealers have guaranteed margins and can rely on Tooltechnic's promotions, they can focus on service instead of thinking about discounting or running their own price driven promotions. Open market pricing would crush the small dealers like Carbatec when competing with larger suppliers.

Under RPM, dealers can have confidence when investing in their service offering. The challenges of RPM are that staff need to be trained to ensure that they do not provide discounts on the product because it will erode the RPM conduct.

Tooltechnic offers a lot of support to its dealers in terms of ordering, training, etc (compared to other imported power tool wholesalers). Tooltechnic's service to dealers keeps improving.

Wholesale price increases are common across the power tool industry and Tooltechnic's price increases are consistent with price increases by other wholesalers. Carbatec has seen sales growth since the RPM conduct was introduced. Margins are about the same now as before the RPM (or have increased slightly as a result of selling more accessories which attract a higher margin).