

LIFE IN THE TOOL SHED



THE TOOL SHED CELEBRATES 40 YEARS OF BEING "WHERE THE PROS TOOL UP"

Toni, have intertwined their marriage and business successfully despite all the pitfalls that can occur when working with a spouse. Nils jokingly says that he's fired Toni 500 times, but then adds that she has quit probably 1,000 times.

How does one work side by side with your spouse and keep from ruining the marriage or the business? It helps to have separate offices as well as different job functions. Toni handles everything from payroll to accounts payable and receivable and anything to do with money. Toni also manages the company's health care and benefit packages.

Neither Toni nor Nils wanted to jeopardize their family life to open more stores, but they have poured their souls and considerable investment into building something of which they and their employees can be proud.

Each member of The Tool Shed team is a tool expert. The core team is rounded out by Perry Barnard, general manager and now part owner, who joined the company in 1985

at the age of 18. Howard Martin is an avid woodworker who advises customers on all types of woodworking questions. Don Frank's experience as a mechanic makes him The Tool Shed's automotive expert. Warehouse manager Doug Carver rounds out the core team.

When Nils launched the business, The Tool Shed sold mechanics tools and garage equipment. The Tool Shed still features mechanic's hand tools and shop equipment, but woodworking machinery and power tools dominate the showroom today. This evolution of the product mix was heavily influenced by STAFDA.

MAJOR INFLUENCES

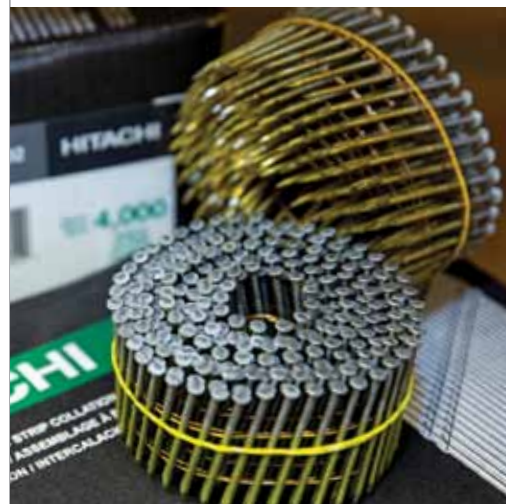
"I was blown away by that first STAFDA convention I attended," Nils recalls. "Seeing booth after booth of power tools was sexy but having the opportunity to talk with others in the industry really got me thinking about how I could find the holy grail of the tool business. Whatever was working for another STAFDA member seemed to be what The Tool Shed should be doing."

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PHOTOS: JEFF HAMMOND



The Tool Shed's owners include (L-R) Toni Lindbloom, Perry Barnard and Nils Lindbloom. Nils launched the store in 1977 and Terry joined the company in 1985 when he was just 18.



For 40 years, The Tool Shed in Greenville, South Carolina, has built its business and reputation around the slogan, "Where the pros tool up." This self-described retail tool store serves local contractors with power tools, accessories and specialty tools, many of which aren't available anywhere else in the area.

Today, with big box competitors and specialty woodworking stores just down the street and the Internet literally overhead, founder and principal owner Nils Lindbloom concentrates on keeping it that way.

Nils has spent virtually his whole career at The Tool Shed, which he cofounded in 1977. He and his wife,



“OUR BEST CUSTOMER STILL IS ONLY RESPONSIBLE FOR LESS THAN 3 PERCENT OF OUR SALES. OVER THE YEARS, THIS DIVERSITY HAS HELPED SOFTEN THE EFFECTS OF RECESSIONS AND CHANGES IN THE MARKETPLACE.”

NILS LINDBLOOM, PRESIDENT, THE TOOL SHED

Nils joined STAFDA in 1987 and has been mining its conventions, trade shows and training programs for gold ever since.

“STAFDA’s influence on our business has been very significant,” Nils says. “I would come home from a STAFDA convention or regional meeting with 100 ideas. What lines should we carry? Should we rent and repair tools? How about delivery? Outside sales? Increase the showroom? Talking to people in the booths and other distributors really opened my eyes about the power tool business, not only for business direction and new lines but also for the advice that STAFDA offered on everything from hiring and warehousing to financing. That was hugely significant.”

One such direction was tool repair. The company performed tool repair for a number of years, but phased it out after Nils realized his technicians were performing mainly unprofitable warranty work.

“The manufacturers stock all the

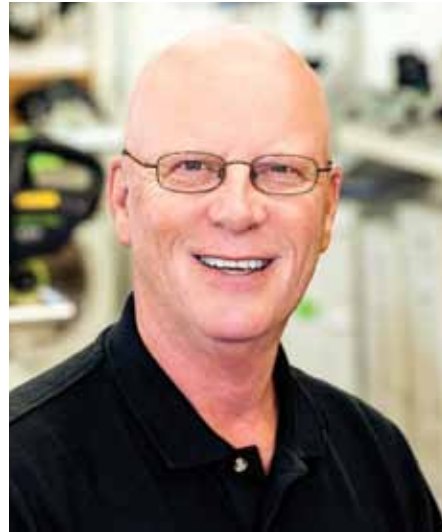
parts and only repair their brands, so they handle repairs more efficiently,” says Don Frank, who handles customer service for repairs. “We find that we can offer faster turn around and save our customers money by utilizing factory service centers for repairs. But some customers want to repair their own tools, so we also stock many common parts.”

HISTORIC PROPORTIONS

Eventually it dawned on Nils that one of The Tool Shed’s best assets was the building itself. Purchased in 1978, The Tool Shed building is a Greenville landmark located on Poinsett Highway, a high traffic count gateway into the fourth fastest growing city in the United States.

Originally constructed in 1950 as a skating rink, the building later became the Poinsett Auditorium, Village Barn and Blueridge Playhouse and was rented out for gospel singing groups, Motown bands, dances, weddings and boxing matches. With its open interior space, wood floors and distinctive barrel roof, it became a popular destination.

The Tool Shed’s 15,000-square-foot showroom is laid out along the general plan of woodworking machines and tools on one side and mechanics tools on the other, with a bit of crossover in between.



Today, customers can walk through the 15,000-square-foot store on the original hardwood floors. Some still wax nostalgic about fun times they had there in the past.

WALK ON IN

Walk-in trade accounts for up to 90 percent of Tool Shed business, so the showroom is a major focus, and making displays look clean, organized and compelling is every employee’s job. Display philosophies have evolved through many approaches, but a significant change was the elimination of locked display cases and security cables on power tools. Placing the front counter near the door allows staff to help customers and deter potential shoplifters.

Power tools are organized by type so a customer can conveniently compare models side by side. Cordless tools are an exception since, as “system tools,” it makes more sense to keep them organized by brand and voltage. Accessories are usually located adjacent to the appropriate power tool that uses them, though

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“OUR PRODUCT KNOWLEDGE, BREADTH OF IN-STOCK ITEMS AND COMPETITIVE PRICING ARE IMPORTANT, BUT WHAT HELPS SET US APART FROM THE AMAZONS OF THE WORLD IS THE SHOPPING EXPERIENCE.”

PERRY BARNARD, GENERAL MANAGER, THE TOOL SHED

there are exceptions. Rather than displaying saw blades right next to saws, they keep the Freud and Diablo area intact. Of course, there are always exceptions where it makes more sense to segregate products by customer type. Metal cutting circular saw blades, for example, are placed near products oriented towards metal working clientele.

“We pride ourselves on making sure a customer is waited on as soon as they walk through the door. Time is money to these guys and a lot of times they just want to get it and go,” Nils says. “The showroom is generally laid out with consideration of the type of work our customer does and what he’ll need, but we understand it’s hard to anticipate that different contractor types may need similar tools,” Nils explains. “We basically have woodworking on one side of the showroom and more mechanics tools on the other.

“Of course, there is cross-over between trades too, so we want the customer to see all we have to offer because it’s impressive and they will

remember where they saw it when the need arises.”

After being in business for 40 years, The Tool Shed has more than 1,000 customers with open accounts, although 70 percent of their business is in some form of cash. The accounts include construction and industrial, government, schools and ironworking, woodworking and automotive customers.

SAFETY IN NUMBERS

The Tool Shed has such a wide variety of clientele that it is not dependent on any one market, nor overly reliant on just a few high-volume customers.

“Our best customer still is only responsible for less than 3 percent of our sales,” Nils states. “Over the years, this diversity has helped soften the effects of recessions and changes in the marketplace.”

Having such a diverse customer base brings its own challenges. It’s difficult to purchase such a broad range of products and remain competitive. Ultimately, because Nils

A customer's truck leaves The Tool Shed on its way to a job site. The building, a former skating rink dating to 1950, is a Greenville landmark that has hosted Motown bands, dances and boxing matches.



and his team wanted to cater to pro users, they decided to offer premium products only. Vendor selection became much simpler in 2001 when The Tool Shed joined Sphere 1.

“Joining Sphere 1 was one of the best decisions I ever made,” Nils says. “There are very few exceptions where we don’t use Sphere 1 suppliers and most of those are either because a given line is not relevant for the cooperative or the manufacturer is unique in the market.

“For example, SawStop and Festool are extremely popular lines for us and have a significant presentation in the store. As much as we want to stay within Sphere 1’s ‘circle of love,’ we still have to stock what the customer wants.”

By using mainly Sphere 1 vendors, The Tool Shed has been able to grow and strengthen those relationships and obtain more favorable programs. The Tool Shed has been a “Makita house” since the 1980s and the Sphere 1 programs have only strengthened that relationship.

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From his days in a big box store, Don Frank brought an appreciation of the value of a well merchandised showroom. An avid learner, Don has also taken more than 400 Sphere 1 training courses.

"In a lot of cases we can offer special deals to our customers that can't be found with the big box stores or on the internet," Perry points out.

The Tool Shed also encourages employees to build their product knowledge through Sphere 1's online preferred supplier courses. Don Frank, who also does a lot of merchandising work in the showroom, has taken more than 400 Sphere 1 training courses.

The Tool Shed staff all love tools and enjoy selling them. Whenever Nils writes up a customer at the front counter he always thanks them and says, "Have fun!" He occasionally gets a weird look (especially from someone buying something as "un-fun" as a sledge hammer) but for the most part the response is a laugh and a grin.

"I hope our customers feel the enthusiasm we have for this business and enjoy coming here," he says. "We don't live in a vacuum, but in a very competitive environment that includes other STAFDA houses, big box stores and the internet."

WATCHING THE WEB

"You've got to be aware of internet competition and stay competitive on price," Perry notes. "We find our typical pro customer needs it today and appreciates the personal nature of dealing with a local business that they trust. Our product knowledge, breadth of in-stock items and competitive pricing are important, but what helps set us apart from the Amazons of the world is the shopping experience."

"You can't put your head in the sand about Amazon," Nils says. "Amazon is the most significant competitor for retailers like us because it drives margins. We would need to devote sizable resources to be competitive with Amazon on the internet and at this point, we want to focus on what we do best.

"It's interesting that Amazon recently rolled out retail book stores in several markets and just bought Whole Foods," he adds. "Could it be that the predicted demise of 'brick and mortar' stores is premature?"

In the end, Nils believes there is an opportunity in challenges from the internet.

"The internet makes us raise our game," he says. "The displays have to be better, the experience has to be better."

The Tool Shed maintains good relationships with other STAFDA distributors in town as well as the big box stores. An ironic twist of those relationships is that rather than taking a big bite of The Tool Shed's business, Nils and Perry discovered that big boxes have been a boon to it.

"What we found over time was that they helped us immensely because they brought all the contractors over to this side of town, but they didn't have the breadth of line or product

knowledge that we do," Perry notes. "They like to sell meat and potatoes but we also carry the Brussels sprouts and asparagus. Every day a Home Depot or Lowes' employee sends a customer to The Tool Shed, saying, 'They'll have it.'

"We also frequently sell to other distributors, and in some cases it's almost like they are an outside sales force for us," Perry adds.

Forty years of business has generated a lot of word of mouth advertising, but sometimes that word of mouth isn't just to acquaintances, but to generations. Numerous Tool Shed customers shop here because "Dad shopped here."

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THE TOOL SHED AT A GLANCE

FOUNDED: 1977

OWNERSHIP: Privately held

HEADQUARTERS: Greenville, SC

FACILITY: 10,000-square-foot showroom, 5,000-square-foot warehouse on one acre

STAFF: 8

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TONI LINDBLOOM, CONTROLLER, THE TOOL SHED

Still, The Tool Shed depends so much on walk-in trade they feel they need to advertise. Past campaigns usually coincided with open houses. Nils has used TV, radio, newspaper, email and direct mail. Vendors would typically set up for Friday and a half-day on Saturday.

"We tried all of the formulas: Miss Makita, Hooters girls and give-aways," says Nils. "But after all the discounts, free food and media buys, we reached the conclusion that although we sold a bunch of stuff, we weren't making much money.

"And in some ways, we were doing a disservice to our customers," he adds. "The events were like feeding frenzies. Yes, we were getting new people into our store, but they weren't getting the level of service that we would normally give them."

THE GIFT THAT KEEPS ON

So, 15 years ago, The Tool Shed began to promote itself in a different way. Instead of discounting prices across the board for a one- or two-day open house, they began to award Tool Shed gift cards toward the purchases of products from participating vendors. In May and October each

year, customers receive a \$10 gift card for every \$100 they spend. The customer can spend it on the spot, but many keep the card and have value added to it over the month.

Some customers want the store to track their purchases for the month and then earn one large gift card at the end of the promotional period. Either way, the gift card ends up in their wallet and is a huge incentive to choose The Tool Shed the next time they need to stock up.

"Gift cards are advertising that doesn't cost us anything until it works," Nils observes. "We find that the gift cards are used for the higher-margin 'wants' of the contractor. There are occasions where someone wants you to match a competitor's price. Rather than just lower the price we may offer a gift card for the difference. The customer wins and perhaps we will win a customer. Whatever balance we have outstanding on a gift card we consider an asset, not a liability."

Of course, Nils knows that not every distributor can or would want to handle gift cards, invest in a showroom or dedicate their business

The Tool Shed attracts a broad range of customers from construction and industrial plant and MRO crews to schools, government and automotive shops.

to walk-in trade, but those strategies continue to work for The Tool Shed.

SKATING ON AHEAD

Nils and his team at The Tool Shed are bullish on the future. A county project promises to improve the road past his store and bring even more customers, Greenville's economy continues to grow and Tool Shed sales grew 15 percent last year.

"I think the future looks great," Toni says. "Being a small company actually helps us in a lot of ways. Many companies lost business a few years back but going through downturns has not hurt us in the past. I think it's because Nils has always been conservative and kept a tight rein on how fast we grew."

Winning new customers every day while retaining old ones by being the place "where the pros tool up" has kept The Tool Shed in business for 40 years. Perhaps the key to the "holy grail" that Nils had been searching for all those years was at The Tool Shed all along. **CS**

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