



Norscot's 165,000-square-foot facility resides in Mequon, Wis., north of Milwaukee.

# Norscot's numbers game

*A partnership with Cat has raised its profile, but that's not the only reason dealers are stocking up on the manufacturer's replicas*

BY NICK BULLOCK

It's simple math. If it costs upward of \$100,000 to develop tooling for production of a die-cast Caterpillar replica — or anything for that matter — then it's in the best interest of the manufacturer to produce as many units as possible using that tooling.

That oversimplified example illustrates both the reasoning behind Norscot Group Inc.'s business model, as well as the competitive advantage it holds in the die-cast model market.

"It's a must to be able to run as many pieces as possible to make it an economically viable business," Norscot CEO Scott Stern says.

## What's in a name?

Norscot didn't start as Norscot. The company began as Sales Guides Inc., founded in 1970 in Milwaukee by Stern's father, Norm, and his business partner, Lee Anheuser.

The business essentially had three parts. It partnered with large clients to provide licensed promotional products — T-shirts, coffee mugs, die-cast replicas — exclusively for those clients. It also took those die-cast replicas and sold them in small quantities to wholesale retail distributors. And, finally, it produced a mail-order catalog full of promotional products that could be purchased and customized in small quantities by any company or organization —

think of polo shirts embroidered with a "Joe's Hobby Shop" logo.

Scott Stern joined the company in 1973 straight from college. Along the line, Anheuser left the company and Scott took over from his father, who at 87 is still chairman of the board.

In the early 1990s, the Sterns sold off the mail-order portion of the business — and the company name — to focus on the client-specific side. They named the new company Norscot, combining their first names. (The second "t" in Scott didn't make the cut, jokes Tom Ristow, Norscot vice president and general manager of scale-model replicas and toys.)

The company eventually moved several times before settling in its current location in Mequon, Wis., north of Milwaukee. Norscot's 165,000-square-foot building, which the company purchased and gutted in 2004, now includes a 100,000-square-foot warehouse, a photo studio, a showroom and office space for 40 employees.

"I think it's helped that we are close to Caterpillar, geographically speaking," Stern says. The construction company, based in Peoria, Ill., is Norscot's biggest customer. "It helps communication."

Norscot also has offices and warehouses in Peoria, Chicago, Seattle, London, Paris, Geneva, Dubai, Beijing and Hong Kong.

## A symbiotic relationship

Scale models have been a part of Norscot's promotional product business since the company began its partnership with Caterpillar — which is to say Norscot has dealt in scale models for nearly its entire existence. The two companies will celebrate the 45th anniversary of their partnership in May 2015. But until 1998, Norscot acted solely as a distributor of the die-cast products; it purchased and resold them to Caterpillar.

"I believe that 1998 was the year that item No. 55001, which would be the first Norscot-manufactured Caterpillar scale model, was made," Ristow says. "At that point then, the Norscot-manufactured scale models started."

As is often seen in the hobby industry, after Norscot began manufacturing its own die-cast products, it also began selling — direct to consumers — its own die-cast products. That ended, however, in the mid-2000s, according to Ristow. "When it became clear that there were people who ran retail websites better than we ever could ... that's when we said we'll create this master distributor concept," he says. About three years ago, Norscot named b2bReplicas its master U.S. distributor. "Because that is what they do," Ristow says. "They're a professional distribution company."

## Model making

Caterpillar isn't Norscot's only client. The company holds licenses with Stihl Inc., Harley Owners Group, Oshkosh Corporation, Ford Motor Company and more. Most of these licenses are not for die-cast replicas, and none of the other licenses allow Norscot to sell non-die-cast products through its wholesale retail distribution network.

Norscot is constantly pursuing new licenses. Most of them come from word of mouth, Stern says, but the company



Norscot CEO Scott Stern's company has a close relationship with its largest client, Caterpillar. Today, Norscot carries roughly 100 Cat products at any time.

does employ a vice president of business development, whose job is to hunt for new licenses.

One of Norscot's newer licenses is with General Motors. This partnership has allowed Norscot to break into the collectible car and truck market, where Stern hopes the company will benefit from its reputation for building high-quality Caterpillar replicas.

At any time, Norscot tries to keep around 120 die-cast offerings available, including about 100 just for Cat. As new replicas are developed, old ones are retired.

The process requires constant communication between the client and virtually everyone under Norscot's employ. Proposed replicas come from both Norscot and the client. A company such as Caterpillar usually prefers to have a die-cast replica available when it introduces a new real-life construction machine.

Yet a die-cast model takes nearly a year to manufacture. So Cat must share stripped-down versions of its computer-aided design (CAD) drawings with Norscot as soon as they are available.

Norscot employees will even operate the full-scale Cat construction machines so as to better understand their designs, Norscot product specialist

Wayde Carberry says. Norscot's team will also meet with Cat's engineers. Any changes made to the full-size machine must be made to the replica — both sides insist upon it. "Caterpillar is very active in their designs," Ristow says. "The (CAD) files that they gave us a year ago — they may, through beta testing, say they want to change a little something. They've run it through a bunch of customer analysis by then and say, 'You know, the bucket, we could make it a little better.' ... They're that detailed. They care about that." Cat also approves the final replica design. It all requires more than a little coordination.

It's no wonder then Stern says Norscot has a very specific ideal client. "We look for companies that are global," he says. "And on the die-



Norscot uses Cat's own CAD drawings.

cast side, we look for companies that have global products.

"It's difficult for us to make a scale-model replica and have it only available or sold in the United States, for instance, or only available in Europe. We need the tonnage, if you will, to produce enough pieces on a global basis to make it worth everybody's while."

It comes back to the math.



Cat insists on details right down to the proper shade of red in its logo.

### Not just retail

Die-cast replica manufacturing is a crowded field, and Norscot is far from the only player. In fact, it's not even the only manufacturer of licensed die-cast Caterpillar replicas for retail sale — both Tonkin Replicas and Classic Construction Models share that luxury.

And it is a luxury. Caterpillar is the "preferred brand in all of the world in construction equipment," Ristow says. "Preferred and no question the largest."

But not all die-cast manufacturers are in the promotional product business. And of those that are, none also provide promotional products outside of the die-cast realm. Norscot is the only promotional products company to manufacture its own line of scale models and provide non-die-cast products, according to Stern.

Today, roughly a third of Norscot's busi-

ness deals in die-cast products, with the rest consisting of apparel, refreshment coolers, key chains, mouse pads, you name it. And of that third devoted to die-cast, about half is retail sales, according to Stern. (There is some gray area in these numbers, he says, since Norscot doesn't keep track of every promotional die-cast product sold to Caterpillar. And some of those products are sold by Caterpillar to retail customers.)

It's necessary for Norscot to have a finger in so many pies, Ristow says.

Remember the die-cast tooling that cost \$100,000? Well, because Norscot is able to sell those replicas both directly to Caterpillar as well as to its wholesale retail distribution network, the company is able to charge less per piece, he says.

"If we were to just sell 1,000 (die-cast replicas), and not only have to make money on every piece for production costs, but also have to cover our \$100,000 worth of tooling, you could see that these would be hundreds and hundreds and hundreds of dollars a piece," Ristow says.

They are not — at least not for a hobby dealer. ■

Nick Bullock is assistant editor of Model Retailer magazine.



**b2bReplicas**  
TM

"The Source for Specialty Die-cast"

*Distributors of Quality Toys and Collectible Models*

Norscot - NZG - Universal Hobbies  
WSI - Spec-Cast - Sword - Bruder  
Eligor - Tankin Replicas - ERTL  
Greenlight - Maisto & more...



Also Available in Undecorated White



**NORSCOT**  
SCALE MODELS

Master Distributor  
United States & Mexico

[www.b2bReplicas.com](http://www.b2bReplicas.com) - Phone (417) 206-9700 - [sales@b2bReplicas.com](mailto:sales@b2bReplicas.com)