

AVTECH opens distribution center in Ireland

By **Mary MacDonald** - October 5, 2018 2:43 am



EXPEDITED SHIPPING: AVTECH Software President and Chief Operating Officer Richard Grundy, left, and Marketing and Channel Communications Manager Russell Benoit at the company's Warren office. AVTECH recently opened a distribution facility in Shannon, Ireland, to provide a cheaper, expedited means of shipping its products to its European customers. / PBN PHOTO/DAVE HANSEN

For years, AVTECH Software Inc. has built a customer base in Europe and beyond, for its primary product, the Room Alert environmental-monitoring system.

But the shipping costs for overseas customers who needed the product quickly could be exorbitant, in part because of import duties tacked onto overseas sales, said its chief executive.

In September, the Warren-based manufacturer opened its first international distribution facility, just a few minutes outside the international airport in Shannon, Ireland.

Ireland's charms became clear to company President and Chief Operating Officer Richard Grundy on a trade trip organized last year by the R.I. Commerce Corp.

Up until that point, the company had thought the United Kingdom would be its first option for a foothold in Europe. But the uncertainty of the still-evolving Brexit agreement, and how it might impact the U.K.'s trade with countries that stay in the European Union, made the company look elsewhere.

For AVTECH, the advantages in Ireland included the common language of English, a relatively quick flight from the U.S. East Coast and a welcoming atmosphere for the new business development.

"Ireland has a lot of really good things going for it," said Grundy.

Ireland has a much lower corporate tax rate than the U.S., but because AVTECH's Irish distribution center is a wholly owned subsidiary of the U.S. company, tax implications were not the rationale. The company continues to pay U.S. tax on the foreign income.

Easing the establishment of the Irish facility was a contract with an Ireland-based logistics firm, Titan Solutions, which is managing and operating the facility for AVTECH. "We don't need to provide any AVTECH employees at this point," Grundy said.

The manufacturer is the first Rhode Island-based company to establish a new facility or logistics center in Europe in the last several years, but many other companies have used the trade trips or missions to increase their business overseas and make new contacts, according to Katherine Therieau, director of international trade programs for Commerce RI.

In the last three years, Commerce RI has led trade trips to countries that include Israel, the United Kingdom, Ireland, the United Arab Emirates and France.

Eight Rhode Island companies participated in September when the state led a trade mission to Leeds and Manchester, as well as Edinburgh in the U.K.

Companies have different levels of interest in European markets, Therieau said. Export promotion is key to many, but for those who aren't manufacturers, it could be establishing new business connections.

AVTECH is the only company she is aware of that has expanded to a new distribution facility. "There is a lot more business development," she said. "For a lot of these companies, the endgame may not be to set up distribution, it may be to find a partner, particularly if they're a service provider."

The European market is a large one for Rhode Island manufacturers. Although Canada is historically the largest recipient of Rhode Island exports, the largest countries of the EU are significant as well. Germany, Italy, Ireland, the U.K. and Belgium are among the top 25 recipients of Rhode Island products and commodities, according to statistics from Commerce RI.

The export list to the EU from the Ocean State indicates that waste and scrap metal is the largest category, followed by silver powder and immunological products.

Altogether, Rhode Island has exported \$1.4 billion in commodities through July of this year, with six of the EU companies among the top 25 destinations.

Using Shannon Airport, AVTECH can ship its products to most of Europe within a day and elsewhere in up to two days. The company, which is now 30 years old, has customers in 186 countries.

The closer it could get its products to those customers, the more competitive it would be, Grundy believed.

Previously – with all distribution coming from Rhode Island – European customers who needed products quickly had to expedite shipments. The resulting cost could add as much as \$150 to \$200 to a \$500 purchase, and then overseas customers would pay another 8 percent to 9 percent in custom and import fees, Grundy said.

Now, the import fees are absorbed by the subsidiary of AVTECH, incorporated in Ireland. And the distribution out of Shannon Airport, in Clare County, adds perhaps \$10 more to the customer's order if expedited.

"It's a phenomenal savings for our customer," Grundy said.

Although the company is stressing preparedness for environmental monitoring, the reality is that many customers order the Room Alert products when something disastrous has happened. And they want the product fast.

"Most of the customers that buy our products have an emergent need. Although we preach being proactive, and having distance-continuity plans in place, oftentimes people are reacting to a power loss or a pipe burst or an air conditioning failure," he said. "So, they want the product and they want it now."

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