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Avnan

Avnan Helps OEMs Navigate Electronics Manufacturing Around the World, from End to End



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“Our greatest value is that we handle the whole backend supply chain so our customers can dedicate their focus to their markets.” Anuj Jain

CEOCFO: *Mr. Jain, according to the Avnan website, you are electronic experts and are committed to your customers' success. What is the focus of Avnan today?*

Mr. Jain: Our goal at Avnan is to help North American manufacturers become more competitive in the global market space. We support their technology and design efforts here in Canada, and then have the manufacturing done overseas in China, India, Vietnam and other regions, which brings value for our local manufacturers.

By manufacturing abroad, we're able to help our customers find tremendous savings without sacrificing quality. Our partners in India, for example, have a highly skilled and highly educated workforce. The price may be slightly higher than manufacturing in China, but the quality is excellent, and the work isn't subject to tariffs, which is important for our US customers. For our customers that manufacture in China, they have peace of mind knowing that we have "boots on the ground" – actual team members – in China who are available for quality checks or any other services they might require while their project is underway.

Meanwhile, we have a dedicated and talented design and engineering team here in Canada, so we can collaborate closely with our North American customers during the early stages of their project.

CEOCFO: *Who are your typical customers?*

Mr. Jain: Most of our customers are manufacturers in North America with under \$100 million in revenue. They have an electronics spend, although electronics isn't their primary focus since they don't have an in-house team. Many clients are in the HVAC (heating, ventilation and air conditioning) market. We have a special expertise in supporting this

industry, really improving indoor air quality – although we work with customers across many other industries, as well.

CEO CFO: *Is there much innovation in the industry or is it more tweaks along the way?*

Mr. Jain: There is quite a bit of innovation happening now, especially looking at the IoT (Internet of Things). We're seeing a lot more opportunity to optimize the equipment to work together and even to be a little bit more intelligent, which is part of that 'Smart Home' concept. The other side of innovation is more focused on the supply chain.

Many companies don't realize how much help they actually need if they're sourcing overseas. In this day and age, everything is coming from Asia in terms of electronics. It's been said that China is the center of the electronics supply chain. All the components are manufactured there, and many companies underestimate the necessary attention to the details and challenges that come with manufacturing electronics. For this aspect of the business, innovation is more in the service and the way we market.

CEO CFO: *How are you able to make it easier for your customers to make a decision about where parts are coming from - or is Avnan making the decision?*

Mr. Jain: We generally make the decision about where the parts are coming from for our customers - and that's the value we add. Customers can come in and say they need a control with a certain function. We would set it up for production. The customer doesn't need to worry about the raw materials, or if they are legitimate brands versus gray market. They know they are going to get authentic parts and that their product will be manufactured in a facility where we manage the quality and all the processes. They're welcome to come visit the factory and audit with us. Our greatest value is that we handle the whole backend supply chain so our customers can dedicate their focus to their markets.

CEO CFO: *Do you find most manufacturers recognize the value or are there still many that want to go it by themselves?*

Mr. Jain: We haven't lost a customer yet. That stands as a clear sign that we are adding value for them. We have had customers actually try to go and manage their own manufacturing in Asia - and a year later they came back. They ended up copying our product and someone else copied theirs - and the next thing you know, they had created their own competitor in China, on top of creating additional quality issues.

CEO CFO: *Do you maintain an inventory or do you order when a customer has a need?*

Mr. Jain: We set up several logistic plans so that if customers want to manage their own inventory, they can just go order to order. The best value we offer for our high-end customers is giving them the flexibility to simply give us a floor count. We manage the inventory and keep it on their shelves on consignment, and we'll just keep replenishing that inventory. They use the parts, let the purchaser know how many they used, and then they can pay us.

CEO CFO: *How are you faring under COVID-19?*

Mr. Jain: We have actually adapted quite well. We had some challenges with China being shut down at first, but we were quick to respond. We had some inventory that kept us running and used air shipping as needed. We have a team on the ground in China that have made sure that things kept rolling. We had very little to no customer interruption due to the pandemic in terms of product. In terms of our staff, we are a service business, so we were able to quickly adapt and have been and are 100% operational with our work from home policies.

Our business is going to see some challenges with customers being shut down. Payments and orders may be slower, but we are managing that whole cash cycle. We're doing pretty well. The volume is going to go up over time. We saw after 9/11 that people did not want to travel as much. They stayed at home and wanted to work on improving their home, as they were spending so much time there. Since developing electronics that improve indoor air quality is a key focus of our business, we are well positioned to add more value to peoples' lives.

CEOCFO: *How often do you look at new relationships with manufacturers and how do you vet long time suppliers on an ongoing basis?*

Mr. Jain: Our relationships and audits play an important role in that. We are an ISO 9001 company and we have solid processes to manage our supply chain. We perform regular audits on their quality systems. We meet their management team to understand any changes in their processes. We initiate routine inspections on the product, so in terms of regular production we have that streamlined.

We have learned a lot too. In the past we inspected every single shipment that was going out, but we recognized that was not efficient. Instead, we opted to inspect the next three shipments only, and if everything looked good, we could assume everything would be alright and hold off until the annual audit. If there is a change to the design, we go back to three shipments again and inspect again. That system was put in place probably twelve years ago and we still use it today as it has been very effective at catching any deviations in the process.

On the design side, we use a proven-effective gated process that is flexible enough to accommodate specific customer requests. We have refined and tuned it in a way that ensures that it's smooth and efficient, and when it goes into manufacturing we have a thorough sampling and qualification testing process.

CEOCFO: *Looking on your website I see core values of unity, positivity, and impact. On the unity side, you mention putting people first. What does that mean at Avnan?*

Mr. Jain: It is one of my personal values to treat people fairly and forge a real win/win/win partnership. By win/win/win, I'm including the suppliers in our supply chain, our team, and our customers. In all of this, nobody should be losing. I don't want to build a business on the backs of my team, expecting them to work ninety-hour weeks without a family life or personal life. That balance and time with loved ones is really important for all of us.

At the same time, we don't want to take advantage of our suppliers and prevent them from earning profit or driving them into the ground. At the end of the day, we want long-term partnerships. If we don't take good care of our partners, they're not going to take care of us either - and it's just not right. The same goes for our customers. They need to see value in what we do. If they don't, we're not serving their needs.

I have found that unity is one of the strongest elements of our value statement, and it keeps the humanity in our business. It's not just about trying to make a buck. We're looking for a long-term win for everyone.

CEO CFO: *Did you recognize that from day one?*

Mr. Jain: I think that comes back to my own core values. Right from day one, we have prioritized taking care of our people. That has always been the case - and it is today too.

CEO CFO: *Do you do much outreach for potential new customers or are people coming to you these days?*

Mr. Jain: Historically, in terms of marketing, we have grown a lot from word-of-mouth and just going to tradeshow. We had not actively gone out to bring customers to us. We were able to grow organically without that. We were actually growing faster than our organization could manage. At the same time, as a service organization with a conservative mentality, we didn't grow as fast as we could have. We wanted to take care of our people, customers, and suppliers first. Now we recognize is that we can do a lot more good in the world, so we are looking to scale up. We were hitting some glass ceilings, and now we have taken away some limitations.

CEO CFO: *What is the competitive landscape and how does Avnan stand out?*

Mr. Jain: We have competitors that manufacture in China. They don't offer the same service and value that we do and our price points are sometimes better because we have volume

We don't come across as many direct competitors as you would imagine. We aren't too fussed about it, either. We are unique and have been since we started, but now we're finding that there are companies similar to ours popping up, but they're not the same. They only address part of the process, rather than managing from design through delivery as we do.

For example, there are traders who will say, 'I'll get you this part' and they'll just go buy and sell - but they are not adding the full value. They don't offer the full concierge-level service that we provide. I would say our competition is just trying to make a buck, but we are finding ways to add real value and reduce the total cost of ownership for our customers in a meaningful and lasting way.

CEO CFO: *Would you tell us about your design services and how you work with your customers to create the best possible solution?*

Mr. Jain: It's a collaborative approach. Understanding the needs of the customer is the first point, and then helping them define the specifications to which we'll need to design - what we call our statement

of work. Much of the time, customers aren't sophisticated with electronics, so they don't necessarily know the details. They just know that they need a black box that does some mysterious things to give them the output they are looking for. We'll work closely with them and fine-tune that description, so it is a collaborative understanding of their needs. As we're going through the design process, we will have them test it in their unit as they know their markets best - but we know electronics best.

CEOCFO: *Why choose Avnan?*

Mr. Jain: We offer OEMs the ability to focus on their market and selling their products with complete dependability and reliability. Our customers know that they have access to technology and electronics that they would not have otherwise. We are their partner, their in-house team – even if we're not literally "in-house." It gives them confidence to go out and sell their product and they do not have to look backwards at China or anything, they just know they are getting the right stuff at the right time. We are good people and fun to work with.

