Luis Alemañy – CEO, American Tools and SJT Windows, Puerto Rico



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American Tools is an ISO 9001:2008 certified, fully integrated precision sheet metal, machining and stamping manufacturing company based in Puerto Rico with close to 50 years' experience servicing global companies,

primarily in the life sciences industry. In this interview, President Luis Alemañy speaks about how the company succesfully adapted to the changing business environment in Puerto Rico and the advantages of Puerto Rico as a sourcing location, while expanding the business to the US mainland and into other niches. Recently, Luis also founded a new organization called SJT Windows specialized in the assembly and distribution of uPVC and Aluminum windows.

Luis, you are celebrating your five-year anniversary at American Tools this year. What would you highlight as the main achievements since the last time we met you in 2015?

The main achievement has been the successful turnaround of the company. After the Section 936 tax provision, which allowed manufacturing companies to avoid corporate income taxes on profits made in U.S. territories, was gradually phased out, many companies left the island. As a result, American Tools lost many customers and suffered a dramatic decrease in volumes. Since then, we have rebuilt our customer base thanks to increased interest from US-based companies in doing

business with us. These companies are looking to take other suppliers into consideration. The current trade war with China is only exacerbating the need for these companies to find other options. As a result, companies are looking to Puerto Rico which presents many advantages as a supplier source. Labour costs are very competitive compared to other US jurisdictions due to a lower minimum wage. More importantly, manufacturing quality is higher than in emerging countries. In the case of American Tools, we produce sophisticated parts for multinational customers such as Baxter, Medtronic, Hewlett-Packard, Sanmina and Tyco. While we cannot compete on price with emerging markets such as Mexico or the Dominican Republic, we have 50 years of experience offering a broad range of manufacturing services: CNC cuts, laser cuts, painting, press brake, machining, etc. We are the only provider in Puerto Rico and the Caribbean able to provide this range of services consolidated in our 45,000 square feet facility. This is what I sell to my customers.

What has been your strategy to turn around the company?

In terms of geographic areas, we used to supply companies in international markets such as China but have since refocused our activities on the US market, serving a broader range of companies located in different states. More recently, we have been focused on providing parts to large contract manufacturing companies. For instance, one of my largest customers is Segue Manufacturing Services, a contract manufacturing and global fulfilment company based in Lowell, Massachusetts, which serves many global companies.

How has your background in multinational companies helped you enhance the efficiency of American Tools' operations?

When I joined the company, certain production processes lacked efficiency. For instance, we were generating a lot of scrap metal. As a certified Six Sigma professional, I have implemented several changes in order to enhance the efficiency of various production processes. American Tools is ISO 9001:2008 certified.

The supplier industry in Puerto Rico is very fragmented with many small, often family-owned, niche companies. Do you think consolidation is the answer to realize cost savings for clients?

Market globalization is pushing companies to be more efficient and reduce costs by rationalizing their supply chain. For instance, one of my customers reduced his number of suppliers from six to three, with two in Puerto Rico and the other in the US. Another customer decided on the other hand to produce a specific part internally, considering it would be more cost-efficient. This is driving American Tools and competitors to become more cost-efficient and stronger in terms of quality. As a result, I think we are going to see services consolidated in different ways.

American Tools is remodelling its facility in Bayamon. What is the rationale behind this decision?

The goal behind the remodelling is to diversify the business. We are investing in an assembly line of uPVC and aluminium windows. Since uPVC is still an uncommon commodity in Puerto Rico, it will be an innovation for the company and the market as a whole. As part of this diversification strategy, we have created a separate entity called SJT Windows. While American Tools will remain focused on the fabrication, distribution and commercialization of sheet metal parts, SJT Windows will be dedicated to the assembly and distribution of uPVC and aluminium windows using parts received from Costa Rica.

Do you think the government is doing enough to support service providers on the island?

The cost of doing business in Puerto Rico is relatively high, for instance due to high utility expenses. It is important that this reality be balanced through good incentive codes. I think the government has been trying to act kind of aggressive in establishing new incentives mostly for global organizations in order to pull a new business base to the island based on jobs creation. However, I think more could be done to provide more incentives to help local businesses. Moreover, the private sector has been pushing hard to eliminate the property tax which primarily affects retailers. I think it is a proposition the government should take into consideration.

Where do you want to take American Tools and SJT Windows and what is your objective for the next five years?

In five years, American Tools, along with the new entity S.J.T. Windows, will be much larger than it is today and will be serve customers around the world. My ambition is to enter the Latin American market as well as increase market share in Asia-Pacific. Even though it will be challenging since competition is tough, I know we can do it by providing high-quality products at a competitive price. As a matter of example, one of our customers tried to fabricate a part at a lower cost in China. However, since the quality was sub-par, they came back knocking at our door. We can do the same thing in Latin America. Right now, we only have a limited presence in Latin America, in Mexico. My goal is to enter South America, starting with market such as Brazil, Chile and Peru.

I believe it is essential to have a solid and clear strategy in terms of revenue growth and expansion. Once the strategy is established, it needs to be clearly communicated to the staff to make sure they understand the vision and the challenges so that everybody pushing in the same direction.

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