

Delivering the Goods



www.nipponexpress.com/

Nippon Express is currently the largest logistics provider in Asia and number three in the world by revenue. It aims to climb even further up the league table by targeting a new global client base outside Japan.

FOR MOST OF THE 1960S, JAPAN'S economy grew at an explosive rate of over 10 per cent a year. This was the decade when the country's automobile and electronics brands established themselves on the world stage, and Asia became the workshop of the world.

Of course, those pioneering Japanese manufacturers needed help shipping their products abroad. Enter Tokyo-based logistics provider Nippon Express: founded in 1872, the company built its international footprint handling imports and exports for a top Japanese camera maker in the early 1960s. "Now we work with all Japan's biggest names in cars and electronics," declares Mitsuru Saito, Nippon Express president and CEO, "Our overseas network comprises over 20,000 employees in 266 cities across 44 countries."

Japan. Asia. The world.

In its home market, Nippon Express is the top logistics provider. With a fleet of almost 20,000 vehicles and 7 million square metres of warehousing space, it generated around 60 per cent of its \$16.76 billion (¥1.86 trillion) revenues for the year ended March 31, 2017 in Japan. The company transports everything from heavy equipment like bullet train carriages and wind-turbine blades through cash and valuables to priceless works of art. (Nippon Express handled the *Mona Lisa* when it came to Japan in 1974. It is currently advising on the transportation of ancient artefacts at the Grand Egyptian Museum in Cairo, which is scheduled to open in 2018.)

"Our clients like to say that 'Nippon Express can deliver anything,'" says Saito. "We have three core strengths: an extensive overseas network; the ability to provide all transport modes—land, air and marine; plus high service quality and advanced technology based on in-house R&D."

Nippon Express now wants to add more global businesses to its client roster of mainly Japanese names. The goal of the current corporate strategy New Sekai-Nittsu is to transform Nippon Express into "a truly global logistics company," by targeting increased profits at home and rapid expansion abroad, in Europe, the United States, but most particularly in Asia.

Why Asia? Just look at the numbers: The economies of key Asian countries grew at an average 6.1 per cent versus 1 or 2 per cent for the West and Japan in 2016. "Most of the world's production and consumption now takes place in Asia, and it's where our clients are most active," says Saito, who projects strong revenue growth of 50 per cent in South Asia and Oceania and 33 per cent in East Asia over the next two years.

China provides a neat example of how Nippon Express is applying its "made-in-Japan" know-how to the needs of new Asian clients. The Chinese car business is booming as the middle class embraces motorisation. Nippon Express does "milk runs" for local OEMs in the south of the country—collecting components from suppliers, bolting them together and injecting them into the final assembly process.

A buoyant Asian manufacturing sector means that more factories are being built. Nippon Express responded to demand by establishing a new Singapore subsidiary, NEX Global Engineering, in 2016. The company specialises in the transportation and installation of heavy plant and equipment for industrial facilities.

Moving downstream

Manufacturing, though, is not the whole story. As Asia continues to evolve into a vibrant consumer market, there's also an opportunity for Nippon Express to transport everyday consumer goods between Asian nations in parallel with the existing model

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of shipping big-ticket items like automotive parts and electronics from Asia to the West. "The plan is to move more downstream into areas like food, fashion and pharmaceuticals," says Saito.

In Malaysia, for example, Nippon Express has secured special Halal certification enabling it to transport and store food in line with Islamic law. Indonesia—another Muslim-majority nation with a population almost nine times Malaysia's—is even more appealing. Says Saito: "Indonesia is one of the countries where we're most active in ASEAN. It's becoming increasingly attractive as a large market for food and other consumer goods."

Nippon Express has developed products like SS7000, a cross-border truck transport service linking key cities in China and the Malay Peninsula to meet booming demand for logistics inside Asia. It's also getting behind the Chinese government's "One Belt, One Road" policy, for example by teaming up with Kazakhstan's national railway company to provide rail-based container transport from China to Germany with its Eurasia Train Direct product. First-half sales for this calendar year have doubled versus one year ago.

In Europe and the United States, Nippon Express already has a robust business serving Japanese multinationals. By expanding into new sectors like apparel and pharmaceuticals and increasing the proportion of non-Japanese clients, Saito is targeting revenue growth of 20 per cent in the Americas and 13 per cent in Europe over the next two years.

Rationalisation and innovation

This drive for broad-based growth abroad is accompanied by a push for higher profits at home. Focusing on the metropolitan areas around Tokyo, Nagoya and Osaka, where most Japanese global companies congregate, Nippon Express has radically streamlined its processes through a couple of innovations: first, a one-stop model that enables customers to buy multi-mode transport solutions as a single package instead of having to deal with different departments for land, air and marine; and second, an account management system that serves as a single touch point for the totality of a client's global activities, resulting in radically more efficient communication with no overlap between branch, country and regional offices. Indeed, so effective were these process innovations that they have now been implemented globally.

The same rational spirit is at work in R&D where disparate initiatives have been unified under the Logistics Engineering Strategy Group. Technologies now being tested include drones for warehouse inventory management and autonomous truck platooning. (Platooning refers to a convoy of several trucks in which only the first has a driver, while the others are autonomous). "In the age of IOT, AI and robotics,



Mitsuru Saito
President and CEO
Nippon Express

outsiders coming in to disrupt our business is a risk," says Saito. "A large company like us has the resources to create new platforms and become a logistics innovation leader."

Global mindset

Saito believes the company needs to "self-disrupt" and take a less conservative approach to compete more effectively against the European firms that dominate the field today. "For the Japanese, Japan tends to loom large in their consciousness wherever they are," he says. "But we are no longer a Japan cargo specialist: we need to start thinking of Japan as just one region on a par with the other four regions in which we operate."

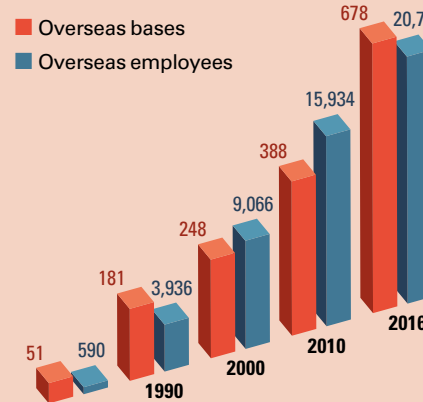
Saito has implemented a series of policies to globalise the business. He is actively promoting local staff to head international subsidiaries—a policy that has won the company major new clients in Europe. In the United States, more than half the company's clients are already non-Japanese. In December 2016, a new unit, the Global Logistics Innovation Center (GLIC) was set up in Singapore with an exclusive focus on securing global non-Japanese clients. Meanwhile, the company is breaking into new fields and territories through M&A, as it did via the acquisition of Italian high-end apparel specialist Franco Vago.

All these steps mean that the 20 per cent of its turnover that Nippon Express currently generates overseas is set to rise fast. "Building on our track record of serving demanding Japanese customers, we offer high-quality solutions tailored to individual customers—something that our competitors find hard to do," says Saito. The company's long-term goal is to raise its overseas sales ratio to 40 or even 50 per cent of the total. And as it pushes ahead with its transformation strategy, Nippon Express is already well on the way to becoming a "truly global logistics company."

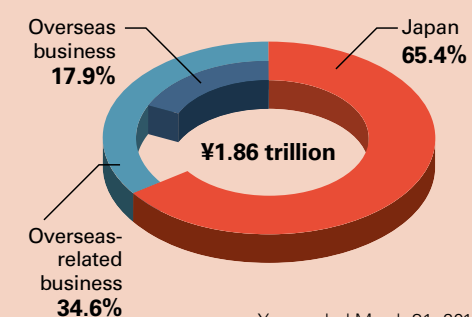


TempSure is a temperature-managed service for transporting pharmaceutical and food products by air.

Number of overseas bases and employees



Revenue breakdown by region



Year ended March 31, 2017



- Nippon Express's patented Blade Tilting Device can transport wind-turbine blades up narrow mountain roads by tilting them up and down or from side to side.
- A bullet train carriage being unloaded from a ship.
- Expert staff installing a Roman mural from Pompeii in the National Art Center, Tokyo.
- The *Himawari 7* is a roll-on roll-off cargo vessel on the Tokyo-Hokkaido route.
- Air transport is used for high-speed logistics.
- Nippon Express containers on a train travelling between Thailand and Malaysia.
- A Nippon Express truck makes its way through the Amsterdam streets.

