


NIPPON EXPRESS

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Building Industry-specific Logistics Platforms Nippon Express Accelerating a New Global Strategy

Nippon Express is evolving its global business strategy. This involves shifting to industry-specific logistics platforms from its conventional client-specific optimization to build a business structure that can adapt quickly to changes in industrial structure. This will position Nippon Express to provide one-stop “optimized solutions” to global supply chains that are becoming broader and more complex.



Nippon Express operates an international logistics network (pictured is Amsterdam, Netherlands)



Takaaki Ishii

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Chief Operating Officer and
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Nippon Express Co., Ltd.

Evolving Global Strategy by Transforming Conventional Business Approaches

Nippon Express operates the largest global network of any Japanese logistics provider. The company expanded outside of Japan beginning in the 1950s and grew its business footprint together alongside the overseas expansion of Japanese companies. Today, Nippon Express continues its growth ambitions. It operates 711 sites in 293 cities in 45 countries around the world (as of March 31, 2018) and employs more than 20,000 people outside of Japan.

It was in 2010 that Nippon Express re-focused its growth strategy on global logistics.

This new approach was meant to address the accelerating trend of globalization as well as the change in the company's business structure following its exit from the Pelican-brand parcel delivery service.

Mr. Takaaki Ishii, Executive Vice President in charge of sales, explains, “Given the major changes taking place inside the company, we announced a plan to grow as a global logistics provider focused on B-to-B logistics. In par-

ticular, we exited the parcel delivery service in Japan, so we had to transform our thinking to aim for growth from tapping into global business in Japan.”

The company's three previous management plans used the slogans Sekai-Nittsu and New Sekai-Nittsu to speed up its global strategy from a new angle.

The greatest change in terms of business strategy is reinforcement of industry-specific sales and marketing. Nippon Express changed directions to focus on markets and specific industries, from the conventional focus on specific client companies.

“Focusing on individual client companies tended to result in offerings limited to specific branches or areas, or transport modes such as air freight or ocean freight. By switching directions to industry-specific logistics platforms, we pushed ahead with building a structure that can quickly address changes in industrial structure”, says Ishii.

As part of its organizational restructuring in 2015, Nippon Express eliminated business divisions focused on transportation modes such

as air freight and ocean freight for the first time in 53 years, resulting in an integrated organization encompassing ground, ocean and air. With “globalization” as the keyword, Nippon Express also eliminated the segmentation of “domestic/overseas”. Furthermore, the company reinforced its solutions for industries by establishing branches dedicated to the automotive industry, starting with the Automotive Business Branch in Tokyo followed by offices in Nagoya and Kyushu, for example.

Responding to the “Once-a-Century” Transformation Taking Place in the Automotive Industry

Nippon Express is already seeing the effects of its efforts in the automotive industry.

In recent years, riding the wave of electrification symbolized by the electric vehicle, the automotive industry finds itself in the middle of a so-called “once-a-century” transformation. Electrical components accounted for only around 3% of an entire vehicle in the 1980s, but by 2005 this proportion had reached about 20%, and in 2015

it had grown to around 40%.

This change, of course, has transformed the face of the automotive industry. As a result, in Japan, the conventional business affiliations where suppliers are linked to specific automakers are beginning to crumble. Automakers are no longer able to adapt to change using their own pyramid supply chains, which has resulted in a rapid opening-up and globalization of their supply chains.

Nippon Express has successfully increased market share by providing optimized logistic solutions with an eye on such changes in industrial structure.

“By creating an organization that adapts to industrial structure, we have been able to identify the issues and needs of our clients in their supply chains in a timely manner, as well as speed up the decision-making process. We are now sharing information in-house on a global scale and we are in the process of establishing our vision of one-stop services and account management,” says Ishii.



Building a logistics system that can swiftly respond to changes in industrial structure

Utilizing its Success Story in the Semiconductor Industry

Nippon Express utilized its success in the automotive industry to address the large-scale structural changes that occurred in the semiconductor and LCD areas.

Initially, LCD panels were primarily used in thin-screen TVs, but demand has grown explosively following the emergence of the smartphone since the latter half of the 2000s. The main manufacturing hubs of the semiconductor industry are located in East Asia, mainly in China, Taiwan and South Korea, with large volumes of cargo moving night and day within strong supply chains that stretch from parts procurement to manufacturing.

Given this, Nippon Express helped suppliers speed up their supply chains using its closely connected air freight network covering East Asia and, in the process, established a position within the industry as a logistics partner. The semiconductor market continues to see rapid growth even today, which has become a major driver behind the company's business performance.

"We have been able to establish a position as a player within the supply chains of the semiconductor and LCD industries. Looking ahead, we plan to reinforce our business presence in the United States where semiconductor manufacturing is designed and expand our footprint in these industries," says Ishii.

Tackling New Challenges in Pharmaceuticals and Fashion

Having provided optimized solutions as a platform focused on changes in industrial structure, Nippon Express is now looking to the pharmaceuticals industry as its next growth area.

companies will be able to lower costs," explains Ishii.

Nippon Express will now speed up its platform development, including building an IT infrastructure that will digitize temperature management history during transport and provide this data to pharmaceutical companies.

"Nippon Express has already built up know-how and insight in Europe and other locations. Based on this experience, we will construct an operational system that can be used by the pharmaceutical industry in Japan. The key is to apply the same rules and build a mechanism with the same worldwide standards," says Ishii.

Another area where Nippon Express is set to tackle new challenges is high fashion, which means international luxury brands. The fashion industry has split into fast fashion and high fashion, and Nippon Express is pursuing a strategy that reinforces its presence in high fashion.

Nippon Express is in the process of building an operational platform that comprises the supply chains of multiple brands in response to market growth, and within this segment there is

steady growth in contract services.

M&A, too, represents a key component of Nippon Express' strategy.

Nippon Express acquired Franco Vago in 2013 and Traconf in 2018, both logistics companies headquartered in Italy that specialize in high fashion.

"For each brand, the production system is globalized, but in most cases the headquarters and design functions are located in Italy. By acquiring these two companies with established track records, we can expect to expand our business presence in Europe and generate synergistic effects using the Nippon Express Group's global network," explains Ishii.

"In the field of high fashion, each brand has a commitment and passion for its own products, so naturally this is reflected in logistics operations. There are very few logistics providers capable of sharing the brand's passion," adds Ishii.

Nippon Express is set to lay the groundwork for growing its footprint within high fashion market in Japan and Asia.

True Globalization by Tapping into Non-Japanese Companies

The globalization of supply chains will continue at an even brisker pace. The time for Japanese logistics providers to simply follow the overseas expansion of Japanese companies is over.

International sales accounted for 37.6% of the Nippon Express Group's total sales in the fiscal year ended March 2018. The company is now seeking to increase this share to 50% over the medium to long term. To accomplish this, Nippon Express will need to tap into non-Japanese companies.

"To become a business partner to a non-Japanese company, we must understand the business culture of that particular country. While the barriers are high, Nippon Express can't become truly globalized without earning business from non-Japanese companies," says Ishii.

Starting this year, Nippon Express made English the lingua franca of its global business conference. It is also actively appointing local human resources to head up its subsidiaries outside of Japan. In Europe, the company has appointed local people as presidents of its subsidiaries in Switzerland, Italy, France and Spain.

Nippon Express is set to continue tackling the new challenges of New Sekai-Nittsu.



- 1 Voice picking order fulfillment at a warehouse in Rotterdam
- 2 Nippon Express is also building logistics facilities with strict temperature and quality controls for pharmaceuticals
- 3 Traconf's warehouse in Verona, Italy handling global luxury brand merchandise

