

# Driving Global Growth


**NIPPON EXPRESS**
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Logistics provider Nippon Express developed its business model over decades serving Japan's manufacturers. Now it's looking to provide the same high-quality services to multinationals from other countries as it transforms into a truly global logistics company.

**AS A 40-YEAR COMPANY VETERAN,** Yutaka Ito has seen the operations of freight forwarder Nippon Express evolve over decades. When he joined in 1978, Japan was busy making electronics and other goods which Nippon Express shipped to Western markets. The next phase saw Japanese manufacturers open factories in Europe and the US—and turn to Nippon Express for logistical support within those markets. Then Japanese manufacturers started moving their factories to Asia in pursuit of lower costs. Again, Nippon Express accompanied them, adapting its business model to fit its clients' evolving needs, as encapsulated in the slogan "We Find the Way."

Now Asia's economic role has changed once more. "Asia is not just about manufacturing for export; it's about manufacturing things locally for local consumption," says Ito, chief managing officer of Nippon Express' International Business Headquarters. The numbers prove Ito's point. Whereas most volume in the logistics business used to be centered in Europe, North America and Japan, an enormous 70% of global volumes now originates in or passes through Asia.

Nippon Express's own footprint has changed radically with the progress of globalisation. In 1988, the company had just 2,000 employees and 100 bases outside Japan. Today the equivalent numbers are 21,000 and 700 in 45 countries. In quest of its strategic goal of becoming "a truly global logistics company," Nippon Express has adopted a two-pronged approach: first, to win Japanese companies' business as they shift their priorities away from a shrinking Japanese market to overseas; second, to secure more non-Japanese multinationals as customers.

This year, Nippon Express is aiming to achieve ¥430 billion (US\$3.9 billion) in overseas sales. Profit margins vary in the four regions in which the company operates, being higher in EMEA and the Americas and lower in East Asia and South Asia & Oceania. "The logistics infrastructure is somewhat weak in Asia, so it's a costly place to do business," Ito explains. "Our priority right now is to expand volumes, build out infrastructure and establish a strong foothold in the market."

## Tailored strategies by region

In mature markets like EMEA and the Americas, shipping high-ticket items like



**Yutaka Ito**  
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automobiles and medical devices, and providing just-in-time delivery of auto-components, represents the core of the business. The company is also growing by pushing into high-value-added areas such as logistics for high-end fashion. Since 2013 Nippon Express has acquired two Italian firms which specialise in delivering clothing and props in perfect condition. As Asian countries become richer, demand for this "white-glove service" is expanding. Growth is also accelerating after the appointment of more local European CEOs and staff with the right knowledge and networks to win more business from non-Japanese clients.

In EMEA, Europe is not the whole story. Nippon Express is also casting an eager

eye on nearby frontier markets, opening offices in Morocco and Kenya in 2017. "Casablanca is our gateway to North Africa and Nairobi to East Africa," says Ito, who expects cargo volumes to expand as more infrastructure like the recent Mombasa-Nairobi railway comes on-stream.

It's a similar story in Latin America where the company opened a Panama City office, near the newly widened Panama Canal, in July 2018. "Latin America has huge potential. It's one of the markets of the future," Ito says.

In Asia, that potential is being realised right now, thanks to the company's extensive network and the synergies it creates. In East Asia, China represents Nippon



**Express Your Business:** The tagline in this billboard at Singapore's Changi Airport highlights the company's ability to accelerate its customers' business.

*"We are No. 1 in Asia. We can use that as a stepping stone for becoming global No. 1."*

Express's biggest market. Alongside massive imports and exports, demand for domestic logistics services is soaring. Nippon Express has a strong position making just-in-time deliveries of auto-components to multinational car manufacturers in southern China. And in 2015, the company launched a unique container-based freight-rail service linking China to Central and Eastern Europe.

Despite China's enormous scale, it's actually in South Asia (which includes Southeast Asia) that business is growing fastest, driven by a boom in the intra-regional transport of consumer goods. To capture this business, Nippon Express has more than doubled the number of its regional bases, from 124 to 258, and increased its warehouse area by 60% in the last five years. "South Asia consists of multiple countries linked together by ASEAN," explains Ito. "We've built a tightly integrated network of cross-border

trucking services. South Asia's our top focus. We're investing aggressively there."

## Global service: global brand

With a history stretching back to the late nineteenth century, Nippon Express enjoys almost universal brand recognition and a high level of trust in its domestic market. Many decades of serving demanding Japanese clients means that the company offers a uniquely Japanese combination of competitively priced, high-quality service with incremental improvement, or *kaizen*, on top. The challenge now is to communicate these strengths to multinational companies. "As the speed of change accelerates, we want to support our clients' business through logistics. By providing the same standardised high-quality service worldwide, we can win the trust of global clients," Ito says. "We are No. 1 in Asia. We can use that as a stepping stone for becoming global No. 1."

## Reviving the Silk Road

This year over 4,000 non-stop, high-speed freight trains will make the transcontinental journey from China to Europe thanks to rail infrastructure upgraded as part of China's Belt and Road initiative. Rail is faster than sea, especially from inland China: the journey from Chongqing to the German port of Duisburg takes 15 days versus around 54 for the normal river barge/container ship combination.

Nippon Express launched its Asia-Europe rail service in November 2015. Cargo volumes—of items like LCD panels, auto-parts and printers—have doubled every year since. With the addition of air & rail and sea & rail options from Japan in May 2018, growth should keep powering ahead.



## Four faces of global logistics

## Widening opportunities in Latin America

The 100-year-old Panama Canal was widened in 2016. It can now accommodate ships carrying 13,000 containers versus a previous limit of 5,000. This dramatic capacity increase should boost not just the Panamanian economy—already one of the region's fastest-growing—but all of Latin America.

Nippon Express has been in the Americas since 1962 when it opened its New York office, but its presence in Latin America was modest. That changed in July with the establishment of a Panama branch: the company is now in pole position to use Panama's ports and free trade zone as a base for serving the logistics needs of this continent of 600 million-plus people.



## A flourishing business in Africa

Close to the equator and high in altitude, Kenya offers the perfect weather for flowers to thrive. Asia-bound exports of flowers took off when a new generation of Middle Eastern airlines started offering flights linking Africa and Asia via their own hub airports. Japan now buys about 5% of Kenya's total rose output.

Nippon Express launched a Kenya-Japan flower-shipping service in July 2014. The company won business by solving Japanese importers' chronic headaches: glitches with paperwork that caused customs delays, and a lack of notice about flight irregularities. With its customer base growing fast, Nippon Express opened a Kenya branch in Nairobi in August 2017.



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## Serving Asia's Muslim community

Devout Muslims want their food to be made, stored and transported in line with Islamic law. The halal certification process is often fragmented. Unusually, Malaysia has a single department, JAKIM, handling halal certification.

By ritually cleansing warehouses and trucks with clay and water before use, Nippon Express Malaysia earned JAKIM halal certification for its services. As well as offering domestic halal transport, Nippon Express supplies halal meals to airlines in a tie-up with a local food company. It's also using its certification to import Japanese food products from waygu beef to flour. Longer-term, the plan is for Malaysia to serve as a stepping-off point to other Asian Muslim-majority nations like Indonesia.

