Business challenge

Customers expect wholesalers to stock the products they need and offer fast shipping on all orders. How could Trusco Nakayama ensure rapid, reliable service around-the-clock?

Transformation

Trusco Nakayama worked with IBM to move mission-critical applications to SAP S/4HANA® in a cloud environment, delivering improved inventory management and insights to strengthen customer service.

Atsushi Kazumi,
Director, Digital Strategy Department,
Chief Information Officer,
Chief Digital Officer,
Trusco Nakayama

Business benefits:

>50,000
quote requests processed much quicker each day with automation

500,000
items can be stocked on inventory

Improved
rate of answering order requests

Trusco Nakayama Corporation

Transforms inventory management to delight customers with fast, reliable service

Founded in 1959, Trusco Nakayama specializes in procuring professional machine tools from leading suppliers and reselling them to machinery dealers as well as online and brick-and-mortar hardware stores. The company is committed to selling items that other companies do not offer, and aims to ensure fast, reliable delivery for all of its products.

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Atsushi Kazumi,

Director, Digital Strategy Department,

Chief Information Officer, Chief Digital Officer,

Trusco Nakayama

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Delivering ultra-convenient services

The management motto of Trusco Nakayama is to become the leading player in the wholesale sector in Japan. By offering a product range that other companies do not handle, by tracking trends to improve inventory, and by delivering products as soon as they are needed, the company aims to improve customer convenience. Trusco Nakayama handles 2.3 million products, keeps its inventory stocked with 390,000 items, and provides an inventory hit rate of 90.5 percent.

As part of its daily operations, the company uses key performance indicators (KPIs), such as inventory turnover ratio and inventory turnover period, to measure whether or not inventories have been shipped efficiently. Trusco Nakayama also uses inventory hit ratio as an important KPI to measure whether it is shipping items as quickly as possible.

Trusco Nakayama serves over 2,500 suppliers and over 5,500 retail outlets, and more than one million users rely on its inventory systems. In addition, the company provides product information through the company's catalog (called "Orange Book") and e-commerce sites. And to ensure that it can deliver its products on

time, the company operates in 97 locations, including 22 distribution centers nationwide.

The company uses an IT system called 'Paradise 3' to support these core activities. Additionally, linked with this core system, the company has built an e-commerce site, logistics system, sales support system, inventory management system, communication platform, and analysis platform. Indeed, Trusco Nakayama has invested 10 billion yen in systems over the past 10 years.

However, if the company is going to achieve its future development goals, further investment is required.

Atsushi Kazumi, Director, Digital Strategy Department, Chief Information Officer, Chief Digital Officer at Trusco Nakayama, explains, "In order to become the leading wholesaler in Japan, we need a mechanism that can provide more convenience by utilizing the latest technologies—we can't rely on manual processes alone."

Mr. Kazumi adds, "To meet even faster delivery targets, we plan to stock an assortment of 500,000 items at all distribution centers nationwide. Naturally, demand for certain items differs from region to region, so we need a system that can accurately forecast demand and enable rapid delivery."

Trusco Nakayama also aimed to ensure that it could meet the requirements for direct delivery. While the ratio of online shopping to sales is changing rapidly, there is also increasing demand for direct delivery to end users, including to some manufacturers who rely on fast shipments to keep production running smoothly. This also holds true with the 'factory route' via machinery tools vendors.

Mr. Kazumi comments, "In order to meet these direct delivery needs, we operate our distribution centers 24 hours a day, 365 days a year, and the new inventory management system will also need to support this way of operating."

In addition to the request to improve the existing core systems, Trusco Nakayama's support contract for SAP ECC was due to expire.

"Launching SAP S/4HANA will not be the end of our transformation journey, this is just the beginning of a new stage of development. As we deploy the new system, we also plan to develop a road map for future innovation."

Atsushi Kazumi, Director, Digital Strategy Department, Chief Information Officer, Chief Digital Officer, Trusco Nakayama

Transforming supply chain management

Migrating its SAP systems from SAP ECC to SAP S/4HANA® presented Trusco Nakayama with an opportunity for digital transformation.

Mr. Kazumi says, "We designed our migration project so that it would deliver operational reform, not just replacement; we aim to innovate operations across the entire supply chain and across industries."

Trusco Nakayama spent three months planning the project before its launch. Mr. Kazumi says, "With the participation of leaders, including business departments, we identified issues across the entire company and pursued a future-oriented vision. As a result, we established 15 use cases for new business requirements. The overarching key words are automation, operational efficiency and digitization."

Trusco Nakayama appointed IBM as the main partner to help accelerate time to value, and to provide ongoing support, consulting, and system development both at the planning and deployment stage. IBM will also support the previous SAP system upgrade and will utilize its extensive experience to help move the company's core systems to

SAP S/4HANA. And by upgrading to the new SAP solution, Trusco Nakayama will accelerate digital transformation by developing new capabilities and cloud applications, built on the SAP Cloud Platform, that will enable the business to improve operational efficiency, realize automation and increase external collaboration.

Mr. Kazumi continues, "IBM is very familiar with our business, and is happy to discuss our goals, what we can do, and also what we cannot do at this stage."

He adds, "IBM recognizes how important it is for a client and a vendor to be on the same page. Our partnership with IBM is

more than a client-vendor relationship, we feel as though we can work with IBM on an equal footing—one of the ingredients for success in this project."

Project members are required to familiarize themselves with their business through inspections of distribution centers, as a Single Team that shares a sense of mission across organizational boundaries.

The "Team of Teams" board at the entrance of the project room symbolizes this with messages from all participating members with photos. Mr. Kazumi says, "It's IT, but I want to make people feel human."

In addition, the company has introduced a system built with IBM® Watson™ Explorer, a content analysis platform that runs on IBM Cloud®, into the product search service on its e-commerce site. When the customer inputs a question about the product that they are looking for, either via text or speech, IBM Watson Natural Language Classifier analyzes the question and generates results that match the query. Items that are highly similar are then extracted as potential responses and displayed on the screen. As part of this project, Trusco Nakayama also built a chatbot using IBM Watson Assistant called TRUSCO AI Orange Rescue.

New era of efficiency

In addition to developing new functions, the Trusco Nakayama Digital Strategy Department will take the lead in promoting business reforms that will help to minimize the disruption to operations during the transition to SAP S/4HANA.

Mr. Kazumi says, "We have been able to achieve the vast majority of the objectives that we initially set out. In addition to deploying SAP S/4HANA, we've also built an application in the cloud that enables improved efficiency and automation in line with our 15 use cases

for transformation, gaining flexibility and faster decision making. At the same time, we have developed cloud applications that will strengthen collaboration with external parties."

One of Trusco Nakayama's transformation goals was to develop a system that can automatically reply to requests for quotes. Currently, 50,000 quote requests are sent to branch offices all over the country each day, by fax and telephone. A team of 350 people work to respond to these requests and provide estimated prices and delivery dates for each customer by fax.

By automating this process with an AI-powered pricing engine trained with historical data, Trusco Nakayama will be able to respond to quote requests much faster, even as the number of inquiries increases.

Mr. Kazumi explains, "We should be able to increase our order rates by responding to quote requests automatically.

At the same time, we will digitize fax exchanges with suppliers, and we will build a cloud portal that integrates with SAP S/4HANA to further speed up responses to requests from suppliers, to confirm prices, delivery dates, and available inventory, all of which will improve efficiency."

He continues, "New services will also be introduced to improve customer convenience, including a solution called 'MRO Stocker'. This service places stocks of tools near the user's site in advance so that the user can purchase and use it immediately when they want it. It is a form of 'ultimate instant delivery'.

Looking ahead, we will realize a mechanism that allows you to easily perform operations such as ordering, payment, and inventory management, using tags and smartphones, analyze large volumes of customer data and weather data, and provide products optimized for the site."

Mr. Kazumi comments, "In the future, there will be increased demand on our systems from business and IT departments. To meet this demand, it is important for the pertinent parties to agree on where to land. If you try to make it perfect, you will definitely fail. The aim is to sit down and discuss frankly the objective of systematization and thoughts behind it."

Mr. Kazumi concludes, "Launching SAP S/4HANA will not be the end of our transformation journey, this is just the beginning of a new stage of development. As we deploy the new system, we also plan to develop a road map for future innovation. Data collection and utilization will be key here, and we will stay committed to delivering convenience for all of our customers."

Solution components

- IBM® Cloud®
- IBM Services™
- IBM Watson™ Assistant
- IBM Watson Explorer
- IBM Watson Natural Language Classifier
- SAP® BW/4HANA
- SAP Cloud Platform
- SAP S/4HANA®

Take the next step

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