

A World-class Service for Hitachi

Japanese-based industrial conglomerate, Hitachi, needed to streamline its distribution network, serving key European destinations. Exel stepped in and went beyond the original remit to establish an innovative and dynamic supply chain system, which satisfies Hitachi – and its customers.

The challenge

The Information Media Group (IMG) of Hitachi Europe supplies display (monitor) and memory (HDD and DVD drives) products to major original equipment manufacturers (OEM) engaged in the manufacture of personal computer (PC) products. In 1995, a new management team at IMG reviewed the business, and concluded that the existing supply chain could not meet future targets. The company drew up a multi-stage plan to give it a 'world class' image in the eyes of its customers. This included making the existing supply chain work by upgrading it to match current systems and operational standards plus providing wider access to data and creating greater flexibility and improving process transparency especially for customers.

The solution

Hitachi selected Exel, a world class leader in supply chain solutions, as a long-term partner for the project. Between the start of the project and 1998, Hitachi's existing data management system was linked to a bespoke Exel warehouse management system. While this solution worked, the need to move to a contemporary Enterprise Resource Planning (ERP) platform required a new solution.

With the introduction of the ERP package, SAP R3, in 1998, Hitachi moved into a different era of information availability. The scale of the project required the two partners to move beyond the traditional customer-supplier account management relationship and work in total collaboration. Personnel on both sides formed working groups, chaired by a representative of the company with the greatest expertise or interest in a particular area. Exel's IT experience drawn from other areas of its global business enabled it to draw on its Insight (Purchase/ Sales Order Management) and Unison (Warehouse Management) systems to provide line item/ individual product details for all products shipped from factories in Asia, through the European distribution centre, and on to the end customer with multiple search options.

Radio frequency bar code readers were the key to almost instant data updates. They also allowed for improved product traceability, as each product is bar-coded for warranty purposes. In-cab satellite tracking also increased the security of Hitachi products in transit.

Transfers of information between Hitachi and Exel brought more timely business-critical data into Hitachi's field of vision. This allowed the company to begin planning the migration of inventories from a traditional 'push' to a more responsive 'pull' system – a change which was needed to keep pace with product life-cycles being reduced, from one to two years, to less than six months.

In response to the complexity of customer requirements, such as those of Hitachi, Exel has developed a web-based system – Supply Chain Integrator (SCI) – which pulls together the information from its own enterprise system and the systems of third-party providers it manages for its customers. The resulting increased visibility has also made information available to a wider range of approved users.

In order to reduce inventories while improving customer service, and remaining totally customer-focused, Exel and Hitachi together considered the introduction of direct shipments from factory to consumer, cutting out the European warehouse with its associated time and costs, but still meeting full visibility requirements. Exel now manages shipments from Hitachi factories direct to European customers with full visibility – but without the products becoming part of the European inventory.

The result

The success of this system, to date, has ensured that, in the future, Hitachi will evolve a customer web-site combining information derived from Exel systems and that produced by Hitachi's SAP R3 system. This single-inquiry facility will enable customers to plan their own production schedules. They will have unprecedented control and reliability in the crucial area of component supply, with components available within days if requested.

Beyond this, the final phase of the process will respond to further enhancements in technology and enable more information from local systems than ever before to be assimilated and shared.

John Howlett, Hitachi MG, European Operations Manager, says: "In this ever increasingly competitive marketplace, it has become critical for Hitachi to maintain its competitive advantage. The supply chain has become critical to this, and Exel, through its global presence and economies of scale, can deliver this now and in the future."