Trusco Nakayama Corporati

Transforms inventory management to delight customers w
reliable service

Business challenge Transformation Results Business challeng

Specialist wholesaler of professional machine tools Trusco
set out to enhance its stock management and delivery capa
Working with IBM®, the company moved its inventory and s
management applications to SAP S/4HANA® in a cloud env
generating actionable insights that enable the company to
stellar service.

Close

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Business challenge

Customers expect wholesalers to stock the products they need and offer
all orders. How could Trusco Nakayama ensure rapid, reliable service aro

Transformation

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

Results

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

Improved
rate of answering order requests

Business challenge story

Delivering ultra-convenient services

The management motto of Trusco Nakayama is to become the leading pla
wholesale sector in Japan. By offering a product range that other compan
handle, by tracking trends to improve inventory, and by delivering produc
they are needed, the company aims to improve customer convenience. Tr
handles 2.3 million products, keeps its inventory stocked with 390,000 it
provides an inventory hit rate of 90.5 percent.

As part of its daily operations, the company uses key performance indicat
as inventory turnover ratio and inventory turnover period, to measure whe
inventories have been shipped efficiently. Trusco Nakayama also uses inv
as an important KPI to measure whether it is shipping items as quickly as

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Trusco Nakayama serves over 2,500 suppliers and over 5,500 retail outle
than one million users rely on its inventory systems. In addition, the comp
product information through the company's catalog (called "Orange Book
commerce sites. And to ensure that it can deliver its products on time, the
operates in 97 locations, including 22 distribution centers nationwide.

The company uses an IT system called 'Paradise 3' to support these core
Additionally, linked with this core system, the company has built an e-con
logistics system, sales support system, inventory management system, co
platform, and analysis platform. Indeed, Trusco Nakayama has invested 1
systems over the past 10 years.

However, if the company is going to achieve its future development goals,
investment is required. Atsushi Kazumi, Director, Digital Strategy Departm
Information Officer, Chief Digital Officer at Trusco Nakayama, explains, "I
become the leading wholesaler in Japan, we need a mechanism that can
convenience by utilizing the latest technologies—we can't rely on manual
alone."

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

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

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

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

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“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.”

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

Transformation story

Transforming supply chain management

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

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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 watsonx Assistant called TRUSCO AI Orange Rescue.

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"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

Results story

New era of efficiency

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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.”

TRUSCO®

Trusco Nakayama Corporation

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Founded in 1959, Trusco Nakayama (link resides outsides ibm.com) 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.

Solution components

- Cloud Infrastructure
- GBS AD&I - EA - SAP
- SAP Cloud Platform - Single Tenant Edition on IBM Cloud
- SAP S/4 HANA
- watsonx Assistant
- Watson Discovery
- Watson Natural Language Classifier

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