



Technology & Electronic Solutions

CASE STUDY

Outsourcing Generates Supply Chain Efficiencies



CHALLENGE

- Lacked visibility to logistics operations from Vietnam to Houston.

SOLUTION

Implement a global collaborative logistics outsource to improve visibility, supply chain processes, and customer service.

RESULT

Toshiba achieved:

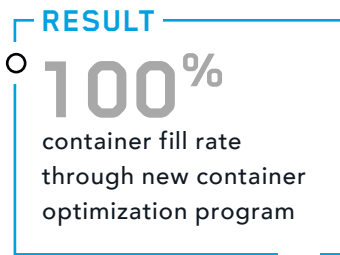
- \$230,000 savings in LTL freight spend
- \$135,000 reduction in bonded warehouse costs
- 90% reduction in shipping damages
- 19% decrease in transit miles from RDCs to customers
- 14% reduction of line haul rate per carton weight
- 98% on time performance

Toshiba, a world leader in the design, manufacture, and sale of electric motors, outsourced their global logistics to support growth goals, service expanded production systems, and transform their supply chain into a competitive advantage.

LACK OF VISIBILITY TO COST AND SERVICE HINDERED INTERNATIONAL SUPPLY CHAIN GROWTH GOALS

With a global footprint and production system extending from Japan to China and Vietnam to Texas, the Motor Business Unit (MBU) of Toshiba International Corporation's (Toshiba's) Industrial Division depends on flawless logistics processes. In 2010, Toshiba moved some manufacturing for premium industrial motors from Houston to a factory strategically located near Ho Chi Minh City, Vietnam's international port. With plans for the new Vietnam plant to ship up to 1.2 million motors a year to the global market, Toshiba needed a highly efficient, collaborative supply chain relationship to support their aggressive growth goals and maintain service and quality standards.

Toshiba's MBU in Houston searched for a solution to resolve cost and service failures with the incumbent logistics provider. With limited tracking and traceability, poorly defined and followed standard operating procedures (SOPs), a narrow focus on inbound transportation, and no visibility to freight costs, leadership felt the lack of internal supply chain expertise hindered their ability to grow. They needed creative solutions.



“We needed a provider to meet with us in person, learn our business, have contacts on the ground in Vietnam, and solid standard supply chain procedures. We found that in C.H. Robinson.”

— Jay Bugbee, general manager, Global Product Development, Toshiba

C.H. Robinson, having successfully handled domestic truckload needs for Toshiba since 2007, was invited to bid for a portion of Toshiba’s international business transportation spend—both inbound and outbound. Toshiba looked for a truly collaborative outsource to reduce costs, add automation and visibility through technology, and improve processes, including:

- Supply chain consulting and account management to identify, improve, and standardize global organizational processes.
- Technology to automate orders for eight commodities to eliminate manual entries and quickly provide visibility to the order cycle.
- A strategy to reduce transportation costs while improving customer service.

“C.H. Robinson’s plan to help us secure cost savings caught our eye,” said Dan Zell, planning manager, Toshiba MBU. “As a large corporation with a lot of pull, they brought to the table their buying power to get the best prices available. What topped it off was their network, expertise in the field, excellent customer service, straightforward website with complete information, and the ease of doing business with a company like that.”

YEAR 1: IMPORTED ACCOUNT MANAGEMENT, AUTOMATION, EFFICIENCY

Choosing to outsource the entire unit’s global transportation was an important decision. To ensure the change succeeded, the team assembled a transition team and developed a detailed onboarding plan. The five month process transformation plan included mapping process flows for the order cycle, gap analysis, testing, training, measurement, improvement, and constant communication. The C.H. Robinson transition team created collaborative solutions and taught Toshiba’s teams how to foster process improvement throughout the organization.

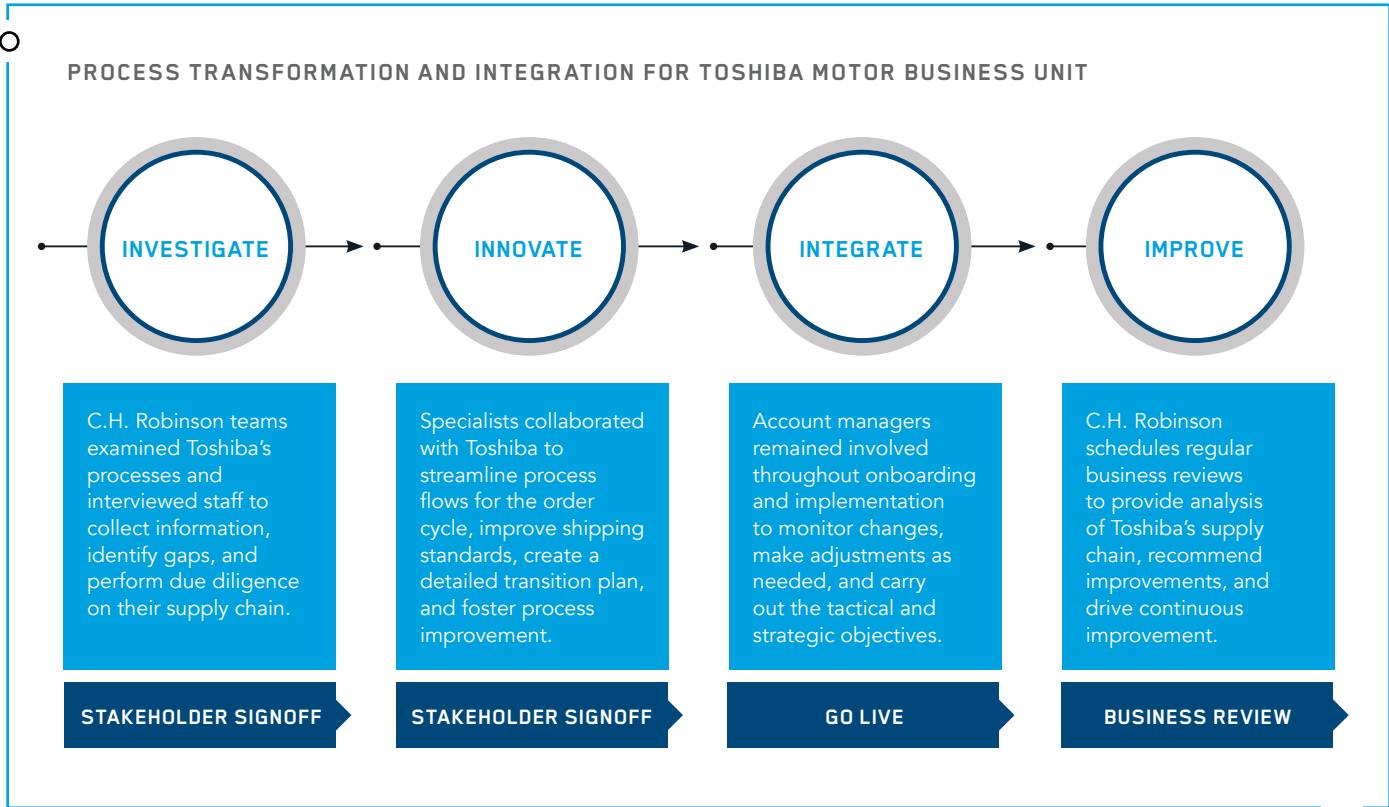
“Their onboarding process was flawless and once we flipped the switch, they didn’t go away. The key account managers are down in Houston regularly,” said Jay Bugbee, general manager, Global Product Development.

One of the first actions was to create a process for shipping from Vietnam to Houston, or anywhere in North America. The collaborative team documented the necessary shipping steps and created SOPs from the bonded warehouse to customer locations. C.H. Robinson also worked with inventory control

RESULT
REDUCED SHIPPING COSTS
 from Mexico to U.S.
 and significantly improved transit time

in Houston for product dimensions; the information was then fed into an optimization tool to create container diagrams. The new container process yielded positive outcomes—shipment weights in legal limits and containers loaded based on specific diagrams to maximize space, minimize the number of containers, and reduce costs.

Toshiba wanted assistance to improve efficiencies with regional distribution centers (RDCs), including optimizing shipments and using best practices to lower costs. C.H. Robinson’s implementation team recommended the best locations for Toshiba’s RDCs and analyzed inventory turns. C.H. Robinson ran scenarios to determine the best locations for DCs based on lane history and Toshiba’s customer base. From implementing crossdocking to initiating electronic integration, such as Electronic Data Interchange (EDI), C.H. Robinson’s processes and technology helped Toshiba be more efficient and gain global visibility to total landed costs. The improvements allowed for better business planning and insight into setting their market price.



“It’s refreshing to work with C.H. Robinson. They give us flexibility and never tell us no. We review things every six months and they come in with significant cost savings every year. Now we have so many options.”

—Dan Zell, planning manager, Toshiba MBU

Finding the right mix of carriers was another benefit to Toshiba. Historically, Toshiba used dozens of carriers. C.H. Robinson restructured the process, which allowed Toshiba to dramatically reduce the number of carriers. Toshiba built better relationships with the carriers by working with a small core group. The carriers now have improved knowledge of Toshiba’s processes and packaging specifications. Consequently, Toshiba gets better rates and service from their carrier relationships.

Navisphere® technology improved Toshiba’s supply chain visibility and efficiency. Navisphere online access provides customized reporting, ability to track shipments, and business intelligence. To meet customer requirements, C.H. Robinson helped Toshiba set up EDI transactions with suppliers. The team also updated the Vietnam warehouse with scanners and barcodes to improve operational efficiency. Prior to the improvements, customer service had up to a 24 hour delay. Now, forklift drivers scan shipments and the shipment information is automatically entered into Toshiba’s enterprise resource planning (ERP) system. Automation consolidates orders more quickly and gives customers same day access to Toshiba’s web portal to pick items in stock and see freight costs.

Toshiba lists service—from experienced people to account management—as a major benefit. For example, account management and process improvement helped reduce freight damages. C.H. Robinson’s account manager worked with a carrier known to have a history of damaging freight. By establishing and posting packaging standards for Toshiba, freight damages were reduced 90 percent. Additionally, C.H. Robinson account managers help reduce costs through consolidation and optimizing inventory at regional distribution centers. Account managers also monitor supply chain industry developments—from emerging work stoppages to changing regulatory policies—to keep Toshiba leadership informed of potential impacts to their business.

Zell emphasized, “C.H. Robinson’s customer service saves us valuable time so we can focus on our business needs. They take care of all our shipments needs, it makes our customer service much easier, and gives us more time to focus on our core business and not worry about shipping.”

SCOPE OF GLOBAL OUTSOURCE SERVICES FOR TOSHIBA MOTOR BUSINESS UNIT

ASIA REGION

- Ocean and Container Optimization
- Air
- Customs
- Project Cargo
- Warehousing

NORTH AMERICA REGION

- Truckload
- LTL
- Domestic Air
- Warehousing
- Customs
- Cross-border

Tokyo, Japan

Dalian, China

Ho Chi Minh City, Vietnam

Houston, U.S.

GLOBAL SERVICES

- Procurement/Inventory Control
- Navisphere® TMS Technology
- Network Design
- Customer Service
- Account Management
- Business Intelligence and Reporting
- Implementation
- Processes
- Accounts Payable

RESULT

\$115,000

in cost savings from Mexico inbound aggregation and outbound order consolidation

C.H. Robinson operates as the MBU’s logistics department and functions as an extension of Toshiba’s team. Toshiba leadership describes the collaborative outsource relationship as additive, not subtractive.

“In a world that’s automated, my account manager gives the personal touch. You can have the best of both worlds—plenty of tools to reach out and get the information you need plus personal attention. In a nutshell, that makes a big difference for a vendor,” said Rita Medley, project management and commissioning manager, Toshiba MBU.

C.H. Robinson identifies continuous improvement strategies and works collaboratively with Toshiba to implement actions to improve their operations. In fact, Toshiba adopted several C.H. Robinson best practices, including mirroring the onboarding process for their customer contacts and setting up key account managers to provide oversight, accountability, and communication between Toshiba and customers.

CONTINUOUS IMPROVEMENT: SUPPLY CHAIN INNOVATIONS DELIVER A COMPETITIVE ADVANTAGE

After a full year, Toshiba leadership challenged C.H. Robinson to further reduce Toshiba MBU logistics costs. The account management team conducts regular business reviews to evaluate progress and suggest additional efficiencies or cost reduction opportunities.

Results include:

- \$230,000 reduction in LTL freight spend (from 2010 baseline)
- 98 percent on time performance, a significant improvement from the 2011 baseline
- \$135,000 decrease in Vietnam 2012 warehouse costs
- 100 percent container fill rate through new container optimization program
- 90 percent reduction in ocean and truckload shipping damages
- 19 percent decrease in transit miles from RDCs to customers by allocating the right inventory to the appropriate RDCs
- 14 percent reduction in line haul spend per carton weight
- Reduced shipping costs from Mexico to U.S. and significantly improved transit time
- \$115,000 in cost savings from Mexico inbound aggregation and outbound order consolidation

Overall, Toshiba's MBU is moving in a direction where they are outpacing their competition and increasing speed to market. In addition to the MBU, C.H. Robinson now services Toshiba's Hybrid Electric Vehicle (HEV) business unit and their adjustable speed drive business unit. Future opportunities on the table include inventory analysis, network design, and other logistics strategies that could help Toshiba reduce their supply chain expenditures an additional \$500,000 to \$700,000.

“I think businesses need to understand the importance of giving equal value to cost and service. We didn’t allow a dollar to be placed over the value of service. With C.H. Robinson’s trusted people and continuous improvement, we now get excellent service and we know our true cost,” emphasized Bugbee.

To learn more about C.H. Robinson, watch [our video](#), visit [our website](#), call 800-323-7587, or email solutions@chrobinson.com.