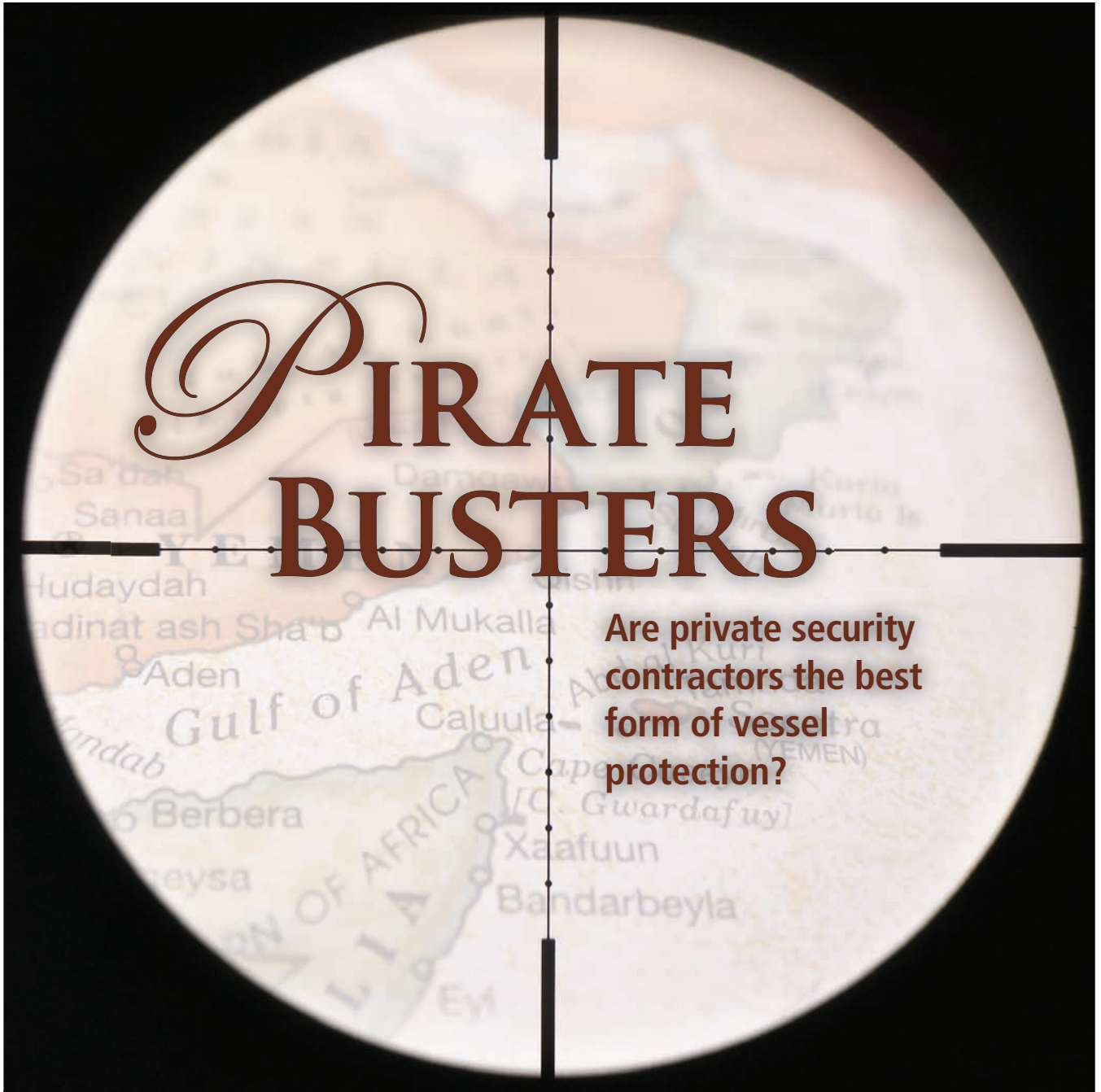


# American Shipper

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<b>Africa rising</b>	<b>8</b>
<b>Do-it-yourself compliance</b>	<b>21</b>
<b>Lines face troubled waters</b>	<b>36</b>
<b>A heartland heart attack?</b>	<b>40</b>

# Choice assignment

*Hitachi data storage manufacturing unit relies on critical parts logistics provider.*

BY CHRIS DUPIN

**M**any businesses need to warehouse huge amounts of data, and one of the leading manufacturers of storage systems is Hitachi Data Systems (HDS), a subsidiary of Tokyo-headquartered electronic giant Hitachi Ltd.

Based in Santa Clara, Calif., HDS manufactures storage systems that are a far cry from the hard drive spinning inside of your PC. Some HDS systems have multiple drives that can store petabytes of data — a petabyte is a million gigabytes — and use technology such as redundant arrays of independent disk (RAID) systems so that if a drive or multiple drives fail, data at banks, brokerages, hospitals and airlines remains sound and can continue to be accessed.

When systems fail, many companies are eager to replace hardware as soon as possible, and to do this, HDS relies on a New York-based company that specializes in critical parts logistics called Choice Logistics.

“They’ve been really good partners for us,” said Alan Burks, director of logistics for HDS. He is responsible for finished goods logistics for HDS outside of Europe, both products manufactured at its plants and service logistics like that supplied to the company by Choice.

Choice is “the best for the stuff that you’ve got to have in two, three, four hours, that kind of thing. It’s tied into service levels and customer expectations,” Burks said.

When a part in an HDS unit fails, an order for a repair and replacement part is placed, and it is dispatched from one of Choice’s strategic stocking locations to arrive at a customer’s site where a Hitachi technician can swap out the bad part. (Some Hitachi units actually monitor themselves and can call a repairman when a problem begins to develop.) Choice also handles returns of bad parts for HDS, some of which are worth hundreds of thousands of dollars each.

“While what we do for Hitachi is indicative of what we can do, I don’t think you will find any two clients where we have the exact service,” said Gary Weiss, executive vice president of global operations for Choice. “We have a variety of offerings that are somewhat modular and we customize it for each client.”



**Gary Weiss**  
executive vice  
president of global  
operations,  
Choice Logistics

***“What we try to understand is not just what the client achieves short term, but where they want to be positioned beyond that.”***

The company commonly offers delivery of parts within windows of 90 minutes to four hours.

Weiss said Choice’s preferred method of interacting with customers is through an electronic data interchange, and Hitachi wanted a direct connection so there was a seamless feed from its call center and customer relation management software directly to Choice.

“They also wanted someone to do white board sessions with them to help do some of their planning,” he said.

Choice initially won a contract with Hitachi about six years ago to stock its parts at some 64 U.S. locations, and the two companies have expanded their relationship so that Choice performs work for it throughout the Americas.

When Hitachi first began working with Choice its footprint did not yet extend to Asia or Europe, Burks said. But as Choice has added offices and strategic stocking locations in those areas, it would consider doing business with them throughout the world.

Burks said HDS’s need for Choice to do super speedy deliveries may actually ebb because of technology. In Europe, for example, it has become standard for customers to expect and accept next-business-day delivery of drives when they fail. That’s

because inside of a RAID device there is already a redundant copy of the information in the unit, and the spare is generally not replaced until all the information on the bad drive is copied, a process that can take 12 to 14 hours.

“So is there any value in delivering a product that you can’t swap out until 12 hours later?” Burks said.

Yet some customers still want or need spare parts delivered in a matter of hours, and Hitachi continues to provide that service. Burks said Hitachi also uses Choice for next-day delivery. It even has made its own Hitachi distribution center in Indianapolis a node on the Choice network so that it can use the Choice system to track deliveries that it ships from its own warehouse.

“We have also helped a lot of companies to reduce their spend by reducing the numbers of parts that they store with us,” Weiss said. “Many companies don’t need to store as many parts as they do. It becomes very easy to put more parts in the field, and that’s inventory creep and can cost customers.”

HDS also relies on Choice to track the return of parts within its system so it can credit customers or send them a bill when parts are not returned. (That, by the way, is the preference of some HDS clients like the Central Intelligence Agency and National Security Agency, who prefer to destroy their hard drives rather than let it get out of their control.)

Weiss said Choice is also able to assist HDS in foreign countries with fulfilling importer of record requirements so that parts can be brought into country and contracts supported.

“One thing that many high-tech companies may not think of at the time they sell a contract is that while they may sell a contract to a bank, that may be a worldwide bank and that service contract may be in 30 countries and it is a single service level that is being sold. There isn’t time to fly in parts and clear them through customs,” he said.

Choice has also developed a “denied party screening program, where orders are screened against lists of countries, companies and recipients that are not allowed to receive high-tech products because of government regulations.

“This is not just something that is nice to have. Companies have obligations to provide this service,” Weiss noted.

The company also has hired trade compliance experts to work with importers on the intricacies of import regulations and tax mitigation strategies.

“What we try to understand is not just what the client achieves short term, but where they want to be positioned beyond that,” Weiss said. ■