



Supplier profile: Toshiba

From its humble beginning as a rice steamer manufacturer, Japanese firm Toshiba is now one of the most well-known notebook PC firms in the UK. Andrew Charlesworth finds out more about its quest for quality

Toshiba is a household name in the UK but is unmistakably a Japanese company. Not that one meets any Japanese staff working in its European subsidiaries. But the company's dedication to using retailers marks it out from the US' Dell and a score of indigenous UK PC makers that sell direct.

Toshiba still bangs the drum loudly for quality manufacturing and is very proud that it spends 5.5 percent of turnover on research and development – two things that any far-Eastern company is keen to emphasise. And in the spirit of ancestor worship there's a storeroom in Toshiba's Weybridge office containing at least one model of every Toshiba computer ever sold in the UK.

For employees in Japan Toshiba isn't just a company, it's a way of life. There's even a Toshiba philharmonic orchestra made up of employees.

Channel hopping

The computer systems division represents more than half of Toshiba's worldwide business and is the largest division in the UK, employing around 250 people. It sells notebook PCs to everyone, from individual consumers to global corporates.

You can't order a new PC notebook from Toshiba's website or over the phone as you can with, say, Dell. It is, however, possible to purchase a Toshiba warranty, insurance package and refurbished laptops online. Practically all Toshiba computers (99.5 percent, according to Gary Evans, head of business development) are sold through 'the channel' – that is, via retailers, computer dealers and corporate systems integrators.

Operation Tosh

All Toshiba computers sold in Europe are made in Regensburg, southern Germany, except Pocket PC handhelds which are made in Japan, and some low-end Satellite notebook models which are made under contract in Taiwan by Compal.

Direct suppliers who don't use resellers to shift their products operate factories on a build-to-order regime. That is, the company won't start building a PC until a customer orders a system and then it's built to the required specification. The theory is this keeps inventory levels at a minimum and thus maintains low prices.

Dell is recognised as the master of this process, running its PC factory in Ireland on a wafer-thin four-hour inventory. And the Texan PC giant boasts a three-day turnaround from the customer placing the order to receiving his PC.

But Toshiba sells through retailers, so Regensburg runs on a six-day inventory and builds to forecast. The resellers estimate how many PCs they will sell in any given month and Regensburg churns them out. This has its advantages: "You can get 90 percent of our products next day in the UK," says Evans.

In contrast, when Hans-Joachim Decker, general manager of the Regensburg plant, put in an order for a PC to test Dell's claims, he says it took 16 days to arrive. But then as Mandy Rice-Davies said of Lord Astor during the Profumo trial, "He would say that, wouldn't he?"

Direct suppliers also claim lower prices, but Evans insists you'd be hard pushed to find an equivalent specification notebook PC for a lower price. "The channel is very efficient, the margins are very tight. But we don't compete at the £500 level as that would be unprofitable."

Furthermore, says Evans, Toshiba's network of local dealers, backed up by the firm's engineering resources, provides considerably better customer support than you'd ever from a direct supplier's call centre.



Support network

Customers are expected to contact the shop or dealer from which they bought the computer or notebook with aftersales queries, so Toshiba's UK customer call centre at Weybridge in Surrey is geared towards supporting the resellers.

"If people phone us for technical support before contacting the reseller it's usually because they don't know the resellers handle such matters," says Marion Hammes, Toshiba computer systems customer services manager. "We direct them to the reseller," she adds.

There are about 150 authorised Toshiba resellers and 2,500 accredited service engineers. "Many of the authorised resellers are also authorised service centres," Hammes explains. But there are also independent TPM (third-party maintainers) such as ADP, Topaz and the TPM arm of Siemens.

Toshiba trains and audits the service providers itself. According to Hammes, the provision of timely high-quality service is an incentive to buy Toshiba and the average repair time is five days.

Shed a tier

Toshiba laptops tend to come with either one- or three-year return-to-base warranties, although you can also buy onsite support provided wherever the customer happens to be – an important consideration with a mobile PC.

The type of service package you get with a Toshiba laptop depends on which reseller you buy it from. So if you want features such as onsite service or a

replacement laptop while yours is being repaired, it's worth shopping around.

"We would have to establish a huge infrastructure to service customers directly," says Evans. Inevitably, though, Toshiba's Weybridge offices also deals directly with some customers. "If your badge is on the machine some people want to talk directly to you," he explains.

As with most suppliers, Toshiba operates a tiered support system. The first port of call is a national rate phone number with a voice-activated answering and directory system. Simple technical queries – 40 percent of the calls to Weybridge – are answered between 8am and 6pm by a team of up to 11 who also deal with email enquiries.

Beyond the call centre at Weybridge is a technical support group of 13 people, a workshop and a 10-strong team of 'third-line' support at Sunbury, Middlesex. After that, problems are deferred to technical experts at Toshiba's manufacturing and repair plant in Regensburg.

The most common problem that occurs with a Toshiba laptop is the user closing the lid with a pen resting on the keyboard, which results in a split screen. The second-line team handles about 55 percent of the traffic. These more technical questions are usually from resellers.

These staff also attend 'customer allocations' or site visits at the rate of about one a week. Then there's the third-level team of technical experts who handle the other five percent of calls. All these teams rely on a global database of product details.

Toshiba at a glance

- Founded **1887**; **Regensburg, Bavaria plant founded in 1990**
- Employees **188,042 worldwide**
- Chief executive **Tadashi Okamura**
- Turnover 2001 **\$47 billion of which \$2.6 is spent on research and development**
- History **Developed the first TFT colour LCD screens with IBM in the 1990s. The first mobile PC with a TFT screen cost over £8,000. Regensburg plant has produced over seven million computers, mostly notebooks, and can make up to 90,000 a month.**
- UK office address **Toshiba Court, Weybridge Business Park, Addlestone Road, Weybridge, Surrey KT15 2UL**
- Website **www.toshiba.co.uk**
- Telephone **0870 444 8944**





For customers who prefer to help themselves there's a database of FAQs on Toshiba's website, populated mainly by the second-level team. The site also provides access to an archive of drivers that goes back to 1987.

Quantifying quality

The keyword at Toshiba's Regensburg plant is quality: "Quality is not just part of the process, it is the process," runs the mantra. Every PC manufacturer claims to have high-quality manufacturing, but quality is a relative concept and notoriously difficult to measure.

However, bodies such as the British Standards Institution and the ISO (its international equivalent) exist to come up with schemes to measure quality. They employ beard-and-sandal-clad staff to marshall manufacturers through the right hoops to earn them certification – and put them through it annually thereafter.

The Regensburg facility has all these certificates in triplicate. To list and explain them here, though, would take most of that part of the magazine currently in your right hand, so you'll just have to trust us.

It was this dedication to quality that enabled the Japanese consumer electronic companies to oust their European competitors 30 years ago. They learned that when labour is a significant cost

of manufacturing, the cheapest way to make something is to make it correctly the first time. Anything slipshod that has to be sent back through labour-intensive remanufacture or repair will sell at a loss. High quality is therefore efficient, allowing you to charge lower prices.

Testing PCs

The two main functions at Regensburg are manufacturing notebooks and repairing them. Manufacture is a bit of a misnomer as notebooks are shipped to Europe from Asia with the mechanical assembly almost complete. Final assembly and testing then takes place at Regensburg. The factory supplies the whole of Europe, Middle East and Africa; with all the different languages and software downloads that means over 1,800 permutations of the product.

Some units require a processor, hard disk, memory and keyboard to be added before software is burned to the hard drive and the notebook tested. Other models simply require a keyboard. The real work is in the networked testing where the machine and its software runs through all its functions over a period of hours.

Dead on arrivals – notebooks that, despite passing all factory tests, won't work when they are delivered – run at between a half and three percent of output, which is normal for the industry.

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Despite the notoriously high cost of labour in Germany, the repair facilities at Regensburg are surprisingly extensive. Products arrive for repair from all over Europe and Africa and, in a typical month, the Regensburg engineers mend 1,400 motherboards, 3,500 hard drives, 1,400 screens and 250 other main components.

Spare parts are also dispatched from Regensburg to the vast network of local dealers who perform less serious repairs.

And now for the history

Toshiba was founded in Japan at the end of the 19th century as a manufacturer of telegraphy equipment and, later, lightbulbs. However it made its name and fortune in the late 1940s producing rice steamers. Now the group spans everything from nuclear powerstations to silicon chips.

In the early 1980s, Toshiba was best known in the UK as a consumer electronics brand which, alongside the likes of Sony, JVC and Pioneer, cleaned up in consumer durables, ousting native European manufacturers. Who can forget the TV advertising campaign "Ello Tosh, got a Toshiba? That's a flatter, squarer screen." Well, Toshiba would like to.

Toshiba set up a UK office in 1986 and in the 1990s grew to become a serious laptop PC manufacturer, vying with US rivals such as Compaq for the lucrative corporate market. Toshiba was particularly successful in salesforce automation – equipping field sales staff with laptops on which they could present their pitch, take customer orders and file their paperwork, all without having to set foot in the office. That was the theory anyway. ■