

**GENTRAN**

WHITE PAPER

## **The Benefits of Implementing EDI**

## “What’s in it for me?”

If you’re implementing an electronic data interchange (EDI) system at the request (or in some cases, demand) of a trading partner, that’s liable to be one of the first questions that pops to mind. And deservedly so.

Clearly, EDI is advantageous to your trading partner’s business—their emphatic, sometimes hard-nosed, endorsement of the technology more than supports this fact. But what about you? What exactly does your company stand to gain by implementing an EDI system? And at what cost?

This White Paper will make plain the pros and cons of implementing an EDI solution and shed light on the enormous opportunities that are available to you through EDI and electronic commerce (EC).

### Paper or Electronic?

At first glance, EDI may appear to be nothing more than an elaborate way to keep your trading partners from taking their business elsewhere. A huge hassle that will disrupt your entire enterprise. After all, businesses have been exchanging paper documents for hundreds and hundreds of years . . . Why re-invent the wheel now?

The answer is simple. EDI makes businesses more efficient, more competitive—which of course, goes a long way in helping companies achieve their ultimate goals: to gain market share and earn more money.

But don’t be misled. Just because your trading partners are urging you to implement EDI doesn’t mean they hold a monopoly on these benefits. On the contrary. When you implement an EDI solution, you stand ready to realize the same competitive advantages and operational gains as your trading partners—perhaps even more!

### The Benefits of EDI

No, EDI won’t make your lunch hour longer or your drive to work shorter. Nor will it make your golf game meaner or your neighbor’s dog friendlier. What it is capable of doing is nonetheless impressive.

For starters, EDI offers you a high return on investment and the technology is not difficult to learn. Plus, when implemented properly and utilized efficiently, a fully-integrated EDI solution has the power to revolutionize your entire enterprise. EDI can add speed and efficiency to your business processes;



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enabling you to maximize resources, minimize waste, and increase customer satisfaction. More specifically, here are the key benefits a strong EDI solution can deliver:

### ***Increase Your Operating Efficiencies***

Because EDI is the direct, application-to-application transfer of business documents between computers, an EDI system will erase a number of your current labor- and cost-intensive chores —automatically.

- **Save Time and Money**

With EDI you input data only once; so the vicious cycle of re-keying information becomes obsolete. Right off the bat, EDI helps you dramatically decrease the amount of time and money spent on manually processing purchase orders, invoices and other essential business documents. As examples, EDI helped a medical center reduce its data entry time from four hours to 10 minutes and an oil company slash invoice processing costs from \$15 to \$5.

- **Reduce Errors and Increase Accuracy**

Of course, this is just the tip of the iceberg. With no data re-entry, EDI ensures greater accuracy of information, while reducing the likelihood of embarrassing and costly errors to near zero. If you're like most companies, you experience a manual data entry error rate of five percent. So, one out of every 20 keystrokes is wrong. Estimates have shown the costs of handling these errors is five to 10 times that of handling correct information. Imagine an invoice erroneously authorized for \$5,000 instead of a \$50 payment, or an order to ship 33 items rather than three, and you soon realize how EDI can benefit you and your trading partners.

- **Minimize Paper Use and Storage**

Another advantage linked to the electronic transfer of documents is the reduction in your company's paper use. The cost of producing and storing business forms, letterhead, envelopes, purchase orders, invoices, etc., all will be greatly reduced. Many companies report saving thousands of dollars annually on paper costs with EDI. And if that isn't enough, your diminished paper use will be contributing to the welfare of our environment, too.

- **Shrink Mailing Costs**

Because the computer-to-computer transfer of information is automatic, EDI eliminates the need for postage. By the time you factor in the cost of typing an order, addressing the envelope and adding postage, a single order can exceed \$5. Shipping that same order overnight via a parcel carrier hikes the price up even more—sometimes double or triple the cost! With EDI, the never-ending volley of paper and postal costs all but vanishes. To illustrate this point, a leading food manufacturer saved \$40,000 in paper and postage in one year with just 15 percent of their business processes automated with EDI.

- **Maximize Human Resources**

Think about it. If your personnel aren't tied up entering data, licking stamps or ordering more business forms, they're free to perform other, more critical tasks within your organization. You'll find that with an EDI system in place, you have the opportunity to get more work done without increasing the size of your staff.

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### ***Strengthen Your Trading Partner Relations***

For many, maintaining a trading partnership may be the most obvious advantage of implementing an EDI system. After all, if you don't comply, your trading partner may decide to find someone else to do business with. But the benefit doesn't stop there.

- **Promote Cooperation**

You'll discover an EDI partnership tightly bonds two companies together and provides a unique forum where core information is shared to achieve mutual business goals. As a result, adversarial relationships are replaced by cooperative ventures. Often, this partnership between organizations is rewarded with an increased volume of trade.

- **Inspire Customer Loyalty**

An effective way to maintain your trading relations is to consistently meet and exceed your customer's demands. EDI gives you the ability to do just that. By providing you with accurate and timely information, EDI helps you anticipate and respond to important customer needs, allowing you to supply them with the right product, in the right quantity, at the right price, delivered to the right location, right on time. The end result is that an efficient EDI solution encourages customers to bring business to you — not your competitors.

- **Eliminate Deadline Penalties**

In many cases, large trading partners impose strict deadlines for becoming EDI-enabled. Each day past that deadline, your large trading partner may levy a fine for every document exchanged that is not EDI-compliant. Of course, implementing EDI before the deadline date eliminates the threat of any costly penalties. Moreover, it demonstrates goodwill and prepares you to take full advantage of the technology sooner.

- **Build a Foundation for Future Growth**

Using EDI today provides the cornerstone on which to build your future electronic commerce growth. What's more, it can act as the spark YOUR suppliers and customers need to implement EDI within their organizations, thereby extending the benefits to your entire trading community. At this point, you'll begin to realize the full potential of your EDI system.

### ***Improve Your Customer Service***

Simply put, the better customer information you have, the better customer service you can deliver. EDI provides you with a treasure trove of fast, error-free customer data, allowing you to deliver more accurate responses to your customers' inquiries and problems.

- **Speed Order Time**

The delays and lag times associated with mailing and other forms of physical transmission are greatly minimized with your EDI system. Traditional mailings by postal services take anywhere from two to ten days. EDI reduces the time between sending and receiving an order by mail to mere minutes. In fact, an efficient EDI system provides you and your customers with such fast and accurate information that goods can be ordered and shipped all in the same day.

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- **Improve Order Fulfillment**

By receiving accurate and complete data and by eliminating any key entry errors, EDI can ensure that the right products are picked, loaded, delivered and invoiced the first time, thus reducing the likelihood of backorders, partial shipments and expedites. In turn, this goes a long way in building strong trading relations since your customer can depend on you for hassle-free shipments and drop-dead delivery dates.

- **Boost Cash Flow**

As you can see, EDI speeds up the order cycle time which also speeds up the invoice/payment cycle. Invoices received electronically can be reconciled and paid more quickly utilizing electronic funds transfer (EFT). Plus, because bills are paid more promptly, buyers may be able to negotiate better credit terms. In addition, the reduction in cash float and increase in cash flow can free up more capital reserves to be invested in your company's growth or used in other productive ways.

- **Optimize Inventory**

For a lot of companies, reducing inventory and its associated costs is one of the biggest advantages of EDI. By having earlier and more accurate information on your customers' requirements and lead times, you're able to pinpoint your required stock levels and replenish your customer's inventory with a highly efficient just-in-time (JIT) delivery system. On top of that, EDI allows you to help your trading partners eliminate the extraneous costs of carrying a bloated inventory such as capital, space, inventory service, inventory risk and insurance. In one instance, EDI helped a large manufacturing company reduce its inventory costs by \$1,275,000 in the first year of implementation.

- **Enhance Decision Making**

With an EDI system in place, critical information is instantly at your fingertips enabling you to respond to changes in the marketplace and make smart decisions quickly. For example, a major greeting card company uses point of sale data collected from its EDI system to forecast the optimum time to sell products and avoid the potential for seasonal carryover.

- **Increase Responsiveness**

In the blink of an eye, EDI makes you more accountable to your customers by delivering accurate, up-front information on orders and production schedules. Information you gather from your EDI system can help you track everything from the whereabouts of a shipment to on-time delivery rates to the receipt of electronic documents. Boil it down, and EDI will improve your audit trails so you can provide your customers with results—not excuses.

### ***Create More Business Opportunities***

EDI makes it easier for companies to do business with you rather than your competition. Not surprisingly then, many companies find that implementing an EDI solution results in a greater market for their goods and services.

- **Spot Trends**

The valuable information EDI provides can help you spot trends and in turn, transform that data into a competitive advantage. For example, tracking purchasing patterns can help you spot the next big sales item and capitalize on the opportunity it presents.

- **Level the Playing Field**

In many industries, you're automatically forced to the sidelines simply for not having EDI. Implementing an EDI system, on the other hand, gives you the ability to compete for business in more arenas regardless of your company's size or where you're located. Take for instance the majority of government agencies who post Requests for Quotes (RFQs) on electronic bulletin boards. With EDI, you're able to access these RFQs and respond electronically.

- **Increase Profitability**

The appeal of EDI is undeniable. Fact is, the number of customers who are clamoring for EDI-enabled vendors is mushrooming. A case in point is a small automotive industry supplier who actually gained more business simply by touting their EDI-capability to large customers. In a nutshell, EDI opens new markets and new selling opportunities to you, so you have a greater chance to provide your goods and services to more and more customers.

Now that you understand the overwhelming benefits associated with implementing an EDI system, it's important to understand one more thing—these benefits won't happen overnight.

### The Lesson of the Chinese Bamboo

The Chinese bamboo is a unique product of nature. Its seed requires water and fertilizing for four years; during this time, however, nothing seems to be happening to the seed. Then, during the fifth year, the stalk bursts through the ground and within six weeks the bamboo grows 90 feet!

What the story plainly illustrates is this . . . all the benefits of your EDI system won't be apparent to you right away; rather, it takes an earnest investment in time and effort before you're positioned to realize its full potential. So, like the bamboo seed, your EDI system must take root before it can grow.

Of course once this happens, look out! As your comfort level increases and your knowledge and expertise of EDI spreads, you're able to realize a rapid return on your EDI investment. You'll begin to perform more and more of your daily business processes via EDI, making it possible for you to experience more and more of the benefits mentioned above.

Please note, *unlike the bamboo seed, an EDI system does not require five years before you see results.* Far from it. For most companies, EDI can begin having a positive impact within weeks of your implementation.

Generally speaking, the problems and delays sometimes associated with EDI have less to do with software and hardware and more to do with how a company adapts to the challenges of reengineering their business processes. So to ensure your EDI system will flourish, it's absolutely critical that you pick a stable EDI solutions provider that not only has the right product to meet your specific goals, but the experience, training, education and support programs to help you reach them.



## The Answer Is Clear

As you can see, there's a lot you gain from implementing an EDI solution. The benefits stretch far beyond placating your trading partner to the point where you can literally improve every aspect of your business.

And, when it comes to implementing an EDI solution, the time to do it is NOW. After all, investing in an EDI solution today allows you to become familiar with its principles so you can move forward swiftly and comfortably as your demands grow.

Fact is, in many industries EDI gives you a head start which you can parlay into an unmistakable advantage over your competition. In still other markets, like retail, automotive, and consumer packaged goods, EDI has gained so much acceptance that any company not adopting the technology will—in time—simply be squeezed out of the picture.

The bottom line is this: those who adopt EDI technology today and embrace it completely will gather the momentum to retain and obtain more customers . . . and ultimately, win more market share and make more money.

So, the question surrounding EDI is no longer “What’s in it for me?” but rather “What am I waiting for?”



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