

10 STEPS TO EDI SUCCESS

Electronic Data Interchange is the industry e-commerce standard. It enables automated ordering, receiving, and invoicing to simplify retailer and supplier interactions and significantly cut transaction costs and process time. When fully operational, it enables automated POS updates, plus offers freight-transaction documents—such as pick-up requests, bills of lading, and invoicing, among others. The system cuts costs to improve margin and profitability.

These 10 steps will help retailers and their trading partners better understand EDI, and why it's important in gaining cost-cutting efficiencies.

NOT ALL E-COMMERCE IS ALIKE

While other e-commerce systems allow one-to-one direct e-commerce via proprietary and Internet-based systems, EDI provides full-function capabilities for virtually any business-to-business transaction. For example, retailers could receive orders with a bar-code scan of an incoming box that would reconcile shipments to purchase orders and invoices in the POS. That would end manual check and cross-check processes many retailers suffer through with each arriving shipment, plus eliminate time-consuming manual POS updating.

Standardized purchase orders, shipping documents, and invoices mean no lost time looking up product codes, physically comparing documents, and manually checking and re-checking orders, invoices, and packing lists.

10 STEPS TO EDI SUCCESS

1. UNDERSTAND WHAT EDI IS	3
2. INSTALL AND USE A POS SYSTEM	3
3. GET EDI CERTIFIED	4
4. USE PUBNET	6
5. GET TRAINED ON YOUR POS PURCHASE ORDER PROCESS	7
6. TRAIN KEY STAFF ON USING EDI	7
7. TAKE RELATED RETAIL TRAINING	7
8. USE OTHER EDI E-DOCUMENTS	8
9. ENCOURAGE OTHER RETAILERS AND SUPPLIERS TO USE EDI	8
10. EXPAND EDI USE FOR COLLABORATIVE PROGRAMS	8
FOR MORE INFORMATION	9

10 Steps To EDI Success

1. UNDERSTAND WHAT EDI IS

EDI is a mature, robust, secure electronic system that allows business documents to be exchanged between computer systems. The auto industry developed EDI more than 30 years ago when U.S. auto manufacturers were threatened by low-price foreign competition. As carmakers engaged new just-in-time inventory management practices, the existing cumbersome transaction process was streamlined to automate administration and data exchange. Transactions became very quick and accurate, lowering channel costs and helping automakers compete in a very different and difficult marketplace.

Today, a handful of Value Added Networks—or VANs—carry millions of EDI purchase transactions daily for many different retail channels. VANs are large computer centers that act as clearinghouses for electronic transactions. These orders are processed via electronic documents, such as Purchase Order (850 PO), Purchase Order Acknowledgement (855 POA), Advance Ship Notice (856 ASN), and electronic Invoice (810 EI). EDI documents also may be exchanged directly between trading partners who have appropriate equipment and software.

All of these documents have standard electronic formats and structures, based on what's called ASC X.12 format (new XML [eXtensible Markup Language] EDI standards are in development). These formats direct what data is sent and how. Retailers and suppliers using EDI on POS technology or corporate computer systems would never be involved at this software level. Corporate computer systems may need software programming to initially set up your EDI system or test EDI with trading partners. However, once installed the standardized documents provide seamless data-exchange capabilities among many different trading partners using many different computer and software systems.

E-documents are exchanged via an electronic “mail box.” Retailers send purchase orders to a supplier’s e-mail box, where the PO is “picked up.” Ideally, a Purchase Order Acknowledgement is returned quickly to the retailer. The industry would like the POA to tell retailers what can be filled in their purchase orders, so they could decide whether to order out-of-stock items elsewhere. Retailers also must be assured they will receive “best available” pricing when ordering via EDI. Both of these issues are being addressed by the industry’s Christian Retail Solutions Committee’s EDI certification project.

2. INSTALL AND USE A POS SYSTEM

Retailers should install and use POS technology from start-up or as soon as possible to establish a foundation for operational efficiency and growth. POS technology is a crucial tool to help retailers develop a disciplined approach to retail operations. The POS automates much of the ordering and inventory-management process, and with new EDI applications can automate receiving and reconciliation processes. Most retailers don't use

POS systems to their full capability, and shortchange themselves on functions and beneficial time and labor savings.

For most gain fromr POS system, retailers should develop a disciplined approach to retailing, particularly in areas of

- Cycle counting to ensure accurate POS data;
- Product-code use for quick, accurate ordering, receiving, and analysis; and
- Inventory management, for timely evaluation that leads to improved business performance.

The POS is also very helpful for budgeting, open-to-buy planning, and category management strategies.

POS Benefits

Your POS system provides real or near-real time data visibility for decision-making. It also simplifies e-commerce learning, training, and application to make store staff most effective and productive. By adapting to industry standards, POS systems are the connection to automated data exchange between trading partners, which means more effective retailer/supplier collaboration. It also means quicker, more accurate transactions.

3. GET EDI CERTIFIED

The industry's Christian Retail Solutions Committee developed an EDI certification process to help industry retailers and suppliers understand the importance of standardized business-to-business e-commerce and its benefits of saving time and money while improving efficiency.

The phased in program allows retailers, suppliers, and POS providers to adapt and adopt the new system. The certification identifies four key documents as crucial: the PO, POA, ASN, and Invoice. These documents allow a complete transaction to be accomplished electronically, and support automated receiving.

The documents also would support remittance authorizations so retailers could approve bill payment and funds transfers electronically, which would eliminate check writing, saving additional backroom time and money.

Predominant industry POS providers are upgrading their systems to accommodate the new e-documents, and most larger publishers and suppliers already can exchange the documents identified in the certification.

View the entire certification plan at www.Christiansupplychain.org.

Retailer Certification

Using certified POS systems that have PO, POA, ASN, and Invoice functions will certify most retailers. If you use a POS system other than one of those predominant in the Christian-retail industry, it should be one compatible with ASC X.12 EDI document sets. (See www.X12.org or www.cpsg.org.) The approved version is 4010.

The POS is crucial not only for ordering via Pubnet or direct to suppliers, but also for importing industry databases and other data exchange capabilities. This will mean automated POS updates for product information and pricing, eliminating time spent manually updating POS fields and information.

For advanced operations, such as automated receiving, POS systems likely will need additional equipment and software, such as scanning equipment and software that can translate EDI documents into POS software. Other EDI documents, such as new-release product catalogs and price sheets, also would need POS upgrades to most existing systems.

The EDI certification also calls for retailers to complete regular cycle counts to ensure data accuracy and integrity throughout the supply chain. Once specialized data-exchange programs are in place using EDI documents—such as assisted-inventory-management initiatives—accurate data is crucial.

Supplier Certification

Phase-one supplier EDI certification includes being able to respond within an hour to an EDI purchase order with an order acknowledgement. These are returned via a POS system or the Pubnet EDI hub. Suppliers also should be able to submit product information using EDI documents, specifically the 832 price sheet, price catalog, and sales catalog. This capability supports broad industry data exchange and a common industry database. New-product release information could be submitted electronically using these EDI documents.

Additionally, suppliers should be able to provide best-terms support through EDI, so retailers and suppliers don't have to submit promotional orders via fax and telephone. This first-phase requirement applies only to the top 25 suppliers, but all suppliers should be developing such capabilities.

POS Provider Certification

In addition to the four primary e-documents, POS systems should be able to order direct to suppliers or through the Pubnet EDI hub. The systems should be able to import product information from the developing industry database or the 832 EDI documents.

In terms of product category identification, POS systems should give retailers capability to use in-store category codes but match them to the industry-standard Christian Product Category codes. See *Product Coding Best Practices*, a document outlining industry needs

and standards for category coding, available at www.Christiansupplychain.org. Also see various technical standards there.

Who's Certified?

You can identify industry retailer and supplier EDI-certified companies at the Pubnet web site: www.Pubnet.org. As the industry EDI service provider, Pubnet tests each participating company's EDI capability and has agreed to publish certified participants on its web site.

4. USE PUBNET

EDI can be used in direct business-to-business trading with suppliers. However, retailers and suppliers with limited technical and technology resources can use the Pubnet EDI hub easily and affordably.

EDI's value is fast, accurate exchange of large amounts of data. Its greatest value is being able to transfer data into company computer systems to avoid re-entering information from one system to another. An EDI-certified POS allows that on the retail side, but some supplier systems may need to activate internal software modules or add translation software.

Pubnet offers electronic links between company computer systems through a VAN. Plus, its Web interface gives any company with a personal computer capability to transact EDI documents. Off-the-shelf software packages are available to link EDI documents into PC-system software or other corporate-computer systems.

For small- and mid-size suppliers, the Pubnet system allows them to electronically trade with large retailers, so even the smallest suppliers could use EDI as if they were large companies. Pubnet translates various e-commerce formats and incoming files to EDI documents. The company's Web-based Document Cycle Tracking System lets users track transaction documents, generate activity reports, and track shipments. Trading partners can view documents, monitor when they're received or acted upon, and link documents for tracking and reconciliation.

The system translates documents into user-friendly, screen readable formats that can be printed. Fully integrated supplier systems are available to translate Web-based EDI documents into supplier computer systems.

Retailers use Pubnet without charge, and suppliers pay only a modest fee that typically provides rapid return on investment through quicker, more accurate transactions.

5. GET TRAINED ON YOUR POS PURCHASE ORDER PROCESS

Each POS system has specific steps to build and send electronic orders. However, building purchase orders is more than a technical step. Retail purchasing is integral to overall store management, and involves such disciplines as open-to-buy budgeting, merchandising, replenishment, and inventory management.

Consider CBA or other retail training to learn these skills, and to more effectively use your POS technology. Then contact your POS provider for training on how the technology works to help you apply retailing skills.

Once you send an EDI purchase order, you should receive a supplier acknowledgement. Called a Purchase Order Acknowledgement, this e-document is sent back through your EDI module or Pubnet EDI hub. The current industry standard is for suppliers to be able to send POAs within one hour of receiving a PO. While not all suppliers have that technical capability, some can send POAs within minutes of receiving POs.

As new Advance Ship Notice and invoice documents are available in your POS system, you will be able to automate much of the purchase order-invoice reconciliation process. These POS skills could help save significant time and labor in the operation of your business.

Suppliers unable to handle EDI e-commerce should consider using a distributor or wholesaler who can provide this valuable service for retailers.

6. TRAIN KEY STAFF ON USING EDI

Buyers, managers, and supervisors should be trained on the importance of using EDI. As new EDI capabilities are introduced, your buyers and receiving people will find new efficiencies in faster, more accurate ways to receive product and reconcile transactions.

By complying with EDI standards and using a single, common industry system, retailers will find increased in-store efficiency, even with part-time help or during periods of rapid employee turnover.

EDI use also extends to in-store compliance with other industry standards for using product codes—such as the EAN.UCC (formerly called the Universal Product Code [UPC]) and category codes. Your staff members need to understand the importance of these standards and how they apply to efficient, profitable business operation and data exchange between trading partners. (See *Product Coding Best Practices*.)

7. TAKE RELATED RETAIL TRAINING

Participate in POS and Pubnet user-group training, and take CBA training on using technology to improve business operations. Send staff members to this training to ensure

employees know how to effectively use technology to cut time and labor out of operations, and improve trading partner efficiencies.

8. USE OTHER EDI E-DOCUMENTS

More than 300 EDI transaction documents are in use around the world. EDI is used for many types of transactions, including freight transactions and broad data exchange. For example, the Christian-retail industry's Christian Retail Solutions Committee is developing standards to use ASC X.12 832 documents for price sheets, catalogs, and inventory reporting. These documents could automate updating POS systems with new pricing and new-release products, while sending your trading partners updates of on-hand inventory. This capability enables effective retailer-supplier collaboration in such areas as cooperative inventory management, forecasting, promotions, merchandising, etc.

9. ENCOURAGE OTHER RETAILERS AND SUPPLIERS TO USE EDI

The more the Christian Retail Channel uses EDI, the more it will see improved efficiency. That translates into lower costs, especially for independent retailers, and less time in paperwork administration.

Small- and mid-size suppliers also will see significantly improved order processing using the standard industry e-commerce system. Having suppliers improve internal systems to allow full use of EDI capabilities will mean "win-win" outcomes for all trading partners.

Retailers should encourage suppliers to:

- Use EDI promotional-pricing fields so retailers feel confident they are getting best-available pricing through e-commerce.
- Develop rapid EDI purchase order acknowledgement capabilities with inventory visibility and order-fill commitments. These electronic capabilities lead to reduced cycle time and improved in-stock rates to help retailers better compete in the marketplace.
- Create internal policies that support sale reps' field efforts and don't penalize them if retailers submit orders electronically.
- Develop automated capabilities for receiving and reconciling EDI orders.
- Provide retailers incentives to use EDI and reflect operational savings that electronic business-to-business transactions generate.

10. EXPAND EDI USE FOR COLLABORATIVE PROGRAMS

EDI documents will be crucial for new data-exchange programs between trading partners. New Assisted Inventory Management Partnerships will use EDI documents to exchange inventory data, and update POS and supplier computer systems.

The Christian Retail Solutions Committee is considering additional EDI-documents for suppliers to report new-product data into a common industry database. The database will help ensure accuracy, consistency, and data integrity throughout the supply chain, and it

will support private database providers, such as Spring Arbor's ipage and *Christian Books & More*.

FOR MORE INFORMATION

CBA Intl.

P.O. Box 62000
Colorado Springs, CO 80962-2000
(800) 252-1950
www.cbaonline.org

Christian Product Standards Group

c/o Evangelical Christian Publishers Assoc.
4816 S. Ash, Suite 101
Tempe, AZ 85282
(480) 966-3998
www.cpsg.org

Evangelical Christian Publishers Association

4816 S. Ash, Suite 101
Tempe, AZ 85282
(480) 966-3998
www.ecpa.org

Supply Chain Management Committee

c/o CBA Intl.
P.O. Box 62000
Colorado Springs, CO 80962-2000
(800) 252-1950
www.Christiansupplychain.org

Uniform Code Council, Inc.

Princeton Pike Corporate Center
1009 Lenox Drive, Suite 202
Lawrenceville, NJ 08648
(609) 620-0200
www.uc-council.org