Operational Efficiency and EDI

How to Cut Costs and Streamline Processes during Lean Economic Times

EDI Resources Presented by 1 EDI Source Volume 2, Issue 1

Getting the most from your EDI system means careful attention to details, whether EDI is processed in-house or outsourced. Essential steps, such as selecting flexible software, tracking log information and hiring an experienced EDI team, can make a direct impact on a company's bottom line.

KEY DECISION

Should we do our EDI in-house or via outsourcing?

Consider setting up in-house if:

- You already have qualified IT or EDI staff
- Critical infrastructure (i.e. software, redundant hardware, etc.) is in place
- You are actively and constantly adding trading partners

Consider outsourcing if:

- No qualified IT or EDI staff is available
- You lack organizational experience with EDI
- The company prefers not to invest in software, hardware and training
- You need to get up and running very quickly

EDI has the power to bring high value to many aspects of a business's operations. Companies that have mastered the art of EDI enjoy a vastly reduced need for manual processing of critical business information, reduced possibility of human error on data entry and increased efficiency as EDI frees up staff members to attend to other vital functions.

However, even organizations long sold on the importance of EDI may be able to realize increased productivity and decreased direct costs to their operations by carefully examining the ways in which they conduct EDI, and making some changes to their internal processes.

Mining EDI Data

Perhaps the most important step managers can take in terms of optimizing EDI's positive effects is to review all log information and share it with appropriate divisions within the organization. Whether a company has its own EDI department or engages an outsourcing provider, logs should be available that clearly show vital statistics (i.e. 997 acknowledgements, ASN problems, trading partner reported errors, transaction logs, jobs, errors, etc.).

EDI managers must mine this data carefully for opportunities. For instance, in the retail industry, an 864 indicates a trading partner reported error in which an invoice had issues and could not be processed by the trading partner. An ignored 864 can result in an unpaid invoice. Not only can the entire company lose revenue if the invoice is not paid, but the accounting department may lose hours of work attempting to discover why they have an unpaid invoice and what they can do to rectify it. Two simple steps by the EDI staff – namely recognizing the 864 and sharing the information with accounting – can bring in more money and save staff time across the organization.

The retail industry, in particular, must carefully select and vigilantly monitor EDI systems. Large chargebacks for improperly executed ASNs are becoming a prominent reality in many environments. Chargebacks can best be avoided by reviewing log data and understanding the requirements for ASNs from every trading partner. Consider entering rules into the documents governing particularly variant trading partner requirements. This will allow EDI staff to manage by exception rather than constantly babysitting the EDI system.

Moreover, EDI information that is carefully logged and quickly acted upon can easily produce stronger relationships with key trading partners. These partners will find it simple and profitable to work with a company that engages in well organized EDI efforts and will be more likely to expand those partnerships when the opportunity allows.

VAN vs AS2

EDI decisions can be complex, particularly to the uninitiated. Even experienced IT professionals may at first have difficulty answering some of the questions that face EDI operations every day. For example, each company must determine whether it can best save resources by utilizing Value Added Networks (VAN) or Applicability Statement 2 (AS2).

The VAN constitutes a mailbox that allows trading partners to communicate with each other. The cost of a VAN depends upon the amount of data a company transmits and fees are assessed on a monthly basis. Those responsible for VAN management would do well to comparison shop across a variety of VANs. Values can be found when looking between networks.

By contrast, AS2 is a communication protocol in which users pay one time, up front for one license per trading partner. The software provides a method for information to flow directly over the internet between two specified trading partners with no monthly fees involved. This communication method seems most likely to grow in the future as it is often the better choice for those engaged in a larger volume of communications with a limited number of partners.

KEY DECISION

What do you need to set up EDI in-house?

- An EDI specialist and a backup person (hire specifically or invest in training and consulting)
- A server to run software
- Carefully selected software product
- Infrastructure additions specific to your business
- Back up capabilities for all EDI data
- Training and consulting from your accounting system provider in order to properly integrate

The key point in choosing between a VAN and AS2 for any company is first to know what trading partners require. Above anything else, that knowledge will help to make any number of critical decisions.

Dial Up In-House Efficiency

Making the decision to manage an internal EDI department requires a strong commitment to organization, hiring, staff training, funding software, hardware and infrastructure requirements – not to mention the diligent search for an appropriate software package. This large investment can pay off only if companies are committed to careful management in both the short and long term.

Selecting a software package that works for your business is a critical step in running an efficient in-house EDI department. Given the rate at which businesses change, flexibility is a vital word. EDI systems should be designed to report errors and non-compliant transactions – as well as being tailored to an organization's individual needs (i.e. business rules).

Ultimately, the optimum system is one that alerts a company to problems instead of forcing a user to look for them.

Software packages with intuitive user interfaces are most helpful for all companies engaged in EDI. Easy-to-use systems mean less time in training and execution, as well as fewer errors. Companies should avoid template-driven products that may not conform to all of a company's needs over time.

Reducing chargebacks and staff time are two fundamental requirements of a great EDI software package. First, the software must have the ability to be compliant with major trading partner standards. Second, programs should provide the ability to automate jobs and processes in order to reduce time spent on routine tasks. Search and find capabilities, along with filtering, save time and make data more available for quick use as well. Finally, software must seamlessly integrate with the back-end system in order to avoid costly manual entry procedures.

Coding and EDI

It is important to realize that a large IT staff does not necessarily mean great EDI experience or capabilities. Modern EDI systems function much differently than the type of languages most IT professionals deal with in their careers. Problems can quickly arise when managers expect IT staff to jump directly into handling EDI. In fact, EDI management is a very niche segment of the IT world. Companies must select professionals experienced specifically in EDI or expect to invest in training and consulting in order to bring current staff members up to speed on this particular function.

One common mistake among programmers when first encountering EDI is to simply write their own proprietary code to deal with a specific trading partner's request. This often works fine for just one trading partner. However, the differences in requirements, standards, information, and format, mandated by different trading partners are vast and problems quickly arise in adapting the proprietary code. This situation can easily mean wasted effort by IT professionals whose skills could be better used in other areas of the business.

Similarly, altering the code of a purchased software system can backfire on well-meaning managers. While it may be initially expedient, this action reduces the flexibility of the software package, negates the ability to upgrade and can cause the company to lag several generations behind current EDI standards. Selecting a software package that is flexible and allows customization should avoid the need for adding or altering code.

KEY DECISION

What should I look for in an EDI outsource provider?

- An experienced team dedicated specifically to EDI and your company's particular needs
- Flexible, customizable solutions
- Available, detailed logs of your EDI transactions
- Transparency in pricing and services
- Easy communication with your provider
- One-on-one assistance in solving problems
- System redundancy and a disaster recovery plan

Redundancy

Managing EDI in-house means addressing how you will handle the necessary redundancy in staff, data and hardware. It goes without saying that if a problem comes up with an EDI system it must be handled immediately because the longer it is down, the larger the cost to the organization. EDI systems may go off line because of a technical error, a natural disaster, power loss, fire and other reasons. Properly functioning EDI systems may alert managers to problems that must be acted upon in order to avoid costly disruptions to your trading partners.

All of these factors require companies to maintain critical backups of all EDI information and processes so that, in the event of a disaster, as much time and money can be saved as possible. Also, all EDI participants must have at least two staff members with EDI abilities in order to avoid potential losses while one dedicated staff member is away from the office.

Cost-Effective Techniques for Outsourcing EDI

The first step to saving costs on outsourced EDI is to select a provider that best meets the needs of the business. When interviewing potential partners, assess how their corporate cultures will match with that of your organization. Look for those companies that are most likely to work closely with you to solve any issues that may arise during the initial implementation and subsequent work processes.

Be sure to carefully consider how the outsourcing package will be charged. For instance, some potential partners charge according to time used, by the specific service package purchased or by the map. It is critical to understand your EDI needs well enough to decide which pricing program will be most beneficial to the business.

When it comes to the setup process, designate an in-house expert on your accounting system to work with the EDI outsource company you've selected. Integrating EDI with an accounting system properly is a critical step in making sure the two processes work together well in the long term. However, not every EDI consultant can be an expert in your firm's accounting system. The closer you are able to work with the consultant on integration, the less time (and potentially money) will be wasted and you are more likely to have a firmly functioning process for some time to come.

Streamline your EDI needs so that you are not spending resources on unnecessary items but rather targeting information that can best save your business time and money. When you do need to meet with your EDI provider, have an agenda set in advance so that you are less likely to deviate into needless details or waste time on superfluous project items.

The key task in saving money on outsourced EDI is to know your EDI needs as well as possible. Diligently pursue a company that can meet those needs at the best price point.

Dedicate yourself to finding a team that you can trust for many years to come and whose solutions are flexible so that they can grow and change with your business. Look for easy availability of one-on-one help when you need it and expect clear availability of log information that you can use to effectively monitor your EDI. ◆