

EDI 105 Guide

Introduction to Distribution

Contents

Introduction..... 3

Key Benefits within the Distribution Industry 4

What is EDI?..... 5

How to Start Utilizing EDI 6

EDI Standards..... 7

Most Common T-Sets within the Distribution Industry..... 8

EDI Process Flow 10

EDI Solutions 11

Ready to Get Started? 12

Introduction

Welcome to our EDI 105 guide, introducing you to the fundamental features and benefits of utilizing EDI within the distribution industry. Whether you work with just a few trading partners or a few hundred, EDI will provide immense benefits to your organization. In this guide, we will go over what EDI is and how to get B2B exchange communications started through EDI. We will then go through the types of standards used within the distribution industry and the transaction sets that are required to begin initiating EDI. Let's get started!

Key Benefits within the Distribution Industry

When you start to communicate utilizing EDI, you will see immense benefits within your internal departments and roles such as: accounting, customer service, shipping, receiving, and your complete supply chain.

Key benefits of using EDI within the Distribution industry:

- **Data Sharing** - Once an EDI solution is in place, you are in control and decide what you want to share. You can share data through EDI with your suppliers, such as capability surveys, on-boarding of trading partners and complete managed connectivity.
- **Seamless Communication** - Improved communication with your trading partners and suppliers through an EDI translator that allows direct communications.
- **Cost Reduction** - When moving to the electronic transmission of trading partner documents through EDI, you will also see a reduction of cost and reduction of errors, which will benefit your accounting teams and trading partner relationships, as well as improve your overall financial metrics.
- **Error Alerting** - Within your EDI translator, you can create rules for alerting and notification, which provides transparency in your dashboard for errors and alerts when sending and receiving documentation. This will keep you aligned with your most valuable EDI transactions and allow you to apply more effort to other valuable projects within your organization.
- **Paperless Environment** - Attain a paperless environment by moving away from manual paper documentation, integrating with your backend ERP to provide visibility to additional team members in accounting, finance, and receivables. This also benefits your IT team, allowing them immediate visibility to fix issues, and your accounting team, to improve overall operational costs.
- **Quicker Turnaround** - Decreased turnaround times among suppliers, warehouses, and trading partners with a connected translator, providing instant visibility into transactions. This will allow your organization to scale with the market as it grows and provide quick responses to all your valuable trading partners.
- **Better Customer Relationships** - Utilizing EDI improves trading partner relationships when working with large partners that communicate via EDI to allow for direct communication and create business continuity; increasing the performance of your complete supply chain.
- **Inventory Visibility** - EDI translator will also provide visibility of inventory to reduce stock outs and minimize canceled orders, allowing you to be ahead of your supplier's inventory and on top of your trading partner needs.
- **Automation** - A key advantage in the distribution industry for routine high-volume communications is EDI automation. This is done through automating the exchange of EDI documentation between Trading Partners within your EDI translator. Once automation is in place, your IT department will have more time to apply to other vital projects, and all errors and transaction conflicts will be addressed and resolved within one user interface.



What is EDI?

EDI stands for “Electronic Data Interchange”.

EDI is the computer-to-computer exchange of business documents in a standard electronic format between business partners (Trading Partners). EDI relieves you from paper-based processes within your orders, invoices, advices, and functional acknowledgments.

Currently, EDI is required by many large distributors and is expected to be utilized when beginning a business relationship. It has become a key to success when working with suppliers, warehouses and many other trading partners, all while providing immense benefits to all partners utilizing EDI. Large distributors have become a driving force behind EDI becoming mandatory within the distribution industry.

Forrester Research has provided reports showing 41% of companies utilize EDI as a primary messaging format and that number is growing rapidly.

Companies send over 20 billion B2B documentations a year using EDI.



How to Start Utilizing EDI

To begin realizing the benefits of EDI there are a few steps and actions needed to get you up and running efficiently and effectively.

1. Reach out to your trading partners to have them provide their specific EDI implementation guide. This guide is key for defining your electronic business documents, their structure and communication method.
2. Begin to research and purchase an EDI software package also known as an EDI translator. The translator is used to map your documents and helps transform your accounting system data into the required format of your trading partner.
3. EDI software solutions differ depending on the size of your organization, volume of transactions, number of trading partners and other factors as well. See examples of how we offer solutions for these factors below.
 - Our primary software platform and translator is known as HQXchange™ [HQX]. HQXchange™ [HQX] is our complete translator for Mid-Sized to Enterprise sized organizations that require backend integration and desire complete control of their EDI.
 - When researching EDI software and translators, you may also find that your mid-sized or enterprise sized organization needs outsourcing of your EDI. This is accomplished through a managed EDI solution and can be integrated with your backend systems. Our example of fully managed outsourced EDI is ManagedXchange® [MX].
4. If your organization is a small business starting EDI with one or several large trading partners, then you may only need a web-based solution for your EDI. This is an easy-to-use, simple to understand, and quickly implemented solution for EDI communications without the technical background needed for more in-depth software. Our example of this solution is our PartnerXchange™ [PX] software.
4. Now that you have your software and your implementation guide, you and your partner will test the transactions and communications between both translators.
5. Always test with your partners and with your EDI solution providers to validate that your translator communicates correctly and that you and your partner both receive your required business documents.
6. Lastly, migrate away from historical forms of communication, such as paper documentation and perform any parallel document transaction that may still be required to be sent through another communication method.





EDI Standards

X12 drives EDI business processes globally. The X12 standards are issued by the American National Standards Institute (ANSI), which has set these standards for the past 35 years.

ANSI X12 defines the standards and each party must comply within these parameters.

In addition to X12, there is a global standard some organizations may use when doing EDI transactions outside of the US. The Global standard is known as EDIFACT, which stands for Electronic Data Interchange for Administration, Commerce and Transport. EDIFACT standards cover transaction sets of documentation.

Typically, the trading partner will designate the X12 version to be used and create their implementation guide around those X12 standards for you to begin creating EDI documents. This is the primary standard and version of the EDI standard you will utilize with your trading partners. Some of your trading partners may use different versions of X12, and it is important to remember that each trading partner will provide a unique implementation guide for you to begin EDI transactions.

Most Common T-Sets within the Distribution Industry

Below you will find the most common distribution industry X12 transaction sets and the relating EDIFACT code set.

850: Purchase Order

- The EDI 850 is a Purchase Order transaction set, used to place an order for goods or services. The 850 generally provides the same information you would find in a paper Purchase Order (PO) document.

940: Warehouse Shipping Order

- The EDI 940 Warehouse Shipping Order is the transaction set used to instruct remote warehouses to ship orders.
- It is commonly used by a seller, such as a manufacturer or wholesaler, to authorize a warehouse to make a shipment to a buyer, such as a retailer.
- The 940 may also be used to confirm a shipment, modify a shipment, or cancel a previous shipping order.
- The 940 essentially instructs the warehouse on what to ship, how much and when.
- Specific information provided in this transaction set may include:
 - Manufacturer information
 - Delivery date
 - Item description and quantities
 - Ship-to information (location name and address, contact, etc.)
 - Bill-to information
 - Shipment method information

945: Warehouse Shipping Advice

- The EDI 945, referred to as Warehouse Shipping Advice transaction, provides confirmation of a shipment.
- This transaction is used by a warehouse to notify a trading partner that a shipment was made.
- The information provided in a 945 transaction may include:
 - Shipment identification
 - Ship-from and ship-to information
 - Date shipment was made
 - Shipment payment type information
 - Transportation method (air freight, ground, etc.)
 - Shipping service level (overnight, 2-day delivery, etc.)
 - Item and quantity shipped, including variance from order quantity



943: Warehouse Stock Transfer Shipment Advice

- The EDI 943 Warehouse Stock Transfer Shipment Advice transaction set is an advance ship notice to a remote warehouse that a transfer shipment has been made from the manufacturer.
- The 943 transaction may also be used by manufacturers to authorize a warehouse to accept a return from a customer.
- The 943 is specifically for shipments to third-party warehouse locations.
- The 943 typically provides the receiving location with detailed information regarding the product being shipped.
- The information provided in a 943 may include:
 - Date of shipment
 - Manufacturer of goods
 - Receiving warehouse identification and location
 - Ship-from location address
 - Carrier information
 - Item information including: item number, quantity, unit of measure, etc.

944: Warehouse Stock Transfer Receipt Advice

- The EDI 944 Warehouse Stock Transfer Receipt Advice transaction set is an acknowledgment to a manufacturer that its transfer shipment has been received.
- This transaction is typically used by third-party logistics providers or warehouses – communications regarding shipments from a manufacturer to its own warehouses can typically be handled within the company's own business or warehouse management system

- In general, third-party warehouses store products for manufacturers who then instruct the warehouse to ship to other locations.

947: Warehouse Inventory Adjustment Advice

- The EDI 947 transaction set contains the format and establishes the data contents of the Warehouse Inventory Adjustment Advice Transaction Set (947) for use within the context of EDI.
- The transaction set can be used to inform a warehouse/depositor of a quantity or status change to inventory records.
- This transaction set provides detailed information concerning the internal adjustments which occur between a warehouse and a depositor.

856: Ship Notice/Manifest

- The Advance Ship Notice lists the contents of a pending shipment of goods as well as additional information relating to the shipment, such as: order information, product description, physical characteristics, type of packaging, marking, carrier information, and configuration of goods within the transportation equipment.

997: Functional Acknowledgment

- The 997 provides a response to the foundational documents being sent and confirms the document was received as well as accepting, rejecting, or indicating an error in the EDI structure.

EDI Process Flow

When engaging in EDI within the distribution industry, you will see the below B2B exchange of EDI documents for the complete lifecycle of a purchase order.

Distribution Transaction Flow



1 EDI Source Solutions

If you plan to work with trading partners within the distribution industry, 1 EDI Source provides customizable and scalable solutions perfect for your needs no matter your organization's size.

[PX] PartnerXchange

If you're a small organization just beginning with EDI with a large retailer trading partner or more, our PartnerXchange™ [PX] solution is perfect for your small business needs and allows you to scale with your trading partner.

[MX] ManagedXchange

If you're interested in having your EDI fully managed, we provide both business and enterprise managed solutions with complete backend integration through our ManagedXchange® [MX] platform.

[HQX] HQXchange

If you are a large organization with multiple trading partners looking for an enterprise solution with complete EDI visibility, control, mapping and translation, our HQXchange™ [HQX] solution is perfect for your needs.

[IX] IntelligentXchange

Our IntelligentXchange [IX] visibility solution works with any EDI translator and transforms complicated EDI data into actionable information. Immediately limit mistakes and research time, while finding opportunities to quickly and significantly impact customer relationships and revenue.





Ready to Get Started?

The EDI experts at 1 EDI Source are here to help you not only learn EDI, but also provide the expertise, experience and solutions that will help your business grow. We have a full suite of EDI software and solutions perfect for your unique business needs.

Whether you choose a web-based, managed, installed or cloud-based EDI solution, we have a product that will exceed expectations. We also provide communication, integration and migration services to help complete your solution.

If you have questions about EDI, or you're ready to get started, contact us and we'll walk you through what EDI option is best for you and be your guide through the entire implementation and beyond. In no time at all, EDI will become a natural part of your business. And through our ongoing training, you can learn as much or as little as you'd like about the solution, process and ways to maximize success.

EPICOR

We're here for the hard-working businesses that keep the world turning. They're the companies who make, deliver, and sell the things we all need. They trust Epicor to help them do business better. Their industries are our industries, and we understand them better than anyone. By working hand-in-hand with our customers, we get to know their business almost as well as they do. Our innovative solution sets are carefully curated to fit their needs, and built to respond flexibly to their fast-changing reality. We accelerate every customer's ambitions, whether to grow and transform, or simply become more productive and effective. That's what makes us the essential partners for the world's most essential businesses.

Contact Us Today: info@epicor.com | www.epicor.com

The contents of this document are for informational purposes only and are subject to change without notice. Epicor Software Corporation makes no guarantee, representations, or warranties with regard to the enclosed information and specifically disclaims, to the full extent of the law, any applicable implied warranties, such as fitness for a particular purpose, merchantability, satisfactory quality, or reasonable skill and care. This document and its contents, including the viewpoints, testimonials, dates, and functional content expressed herein are believed to be accurate as of its date of publication, November, 2022. Use of Epicor products and services are subject to a master customer or similar agreement. Usage of the solution(s) described in this document with other Epicor software or third-party products may require the purchase of licenses for such other products. Epicor, the Epicor logo, HQXchange and PartnerXchange are trademarks or registered trademarks of Epicor Software Corporation in the United States, and in certain other countries and/or the EU. Copyright © 2022 Epicor Software Corporation. All rights reserved.