

Retail CPG | EDI Transaction Set Cheat Sheet

CPG EDI Transaction Cheat Sheet

Achieve operational excellence with Walmart, Amazon, Lowe's, Kroger and more!

Retailers are looking to you to help effectively manage their supply chain by getting the right product to the right place at the right time, and most importantly, with the right documentation.

As order volumes grow, manual process and web-form solutions become overwhelming. So, here are five ways to help drive operational excellence:

1. Automate the order to cash (OTC) process. Improve accuracy and efficiency by automating the processing of transactions between customers, 3PL warehouses and business partners.

2. Gain control of rapidly onboarding new trading partners. Avoid risky delays in onboarding or programming in order to support new trading partners.

3. Reduce days sales outstanding (DSO). Leverage automated alerts and notifications to identify sales invoice issues before they reach your customer and cause payment delays.

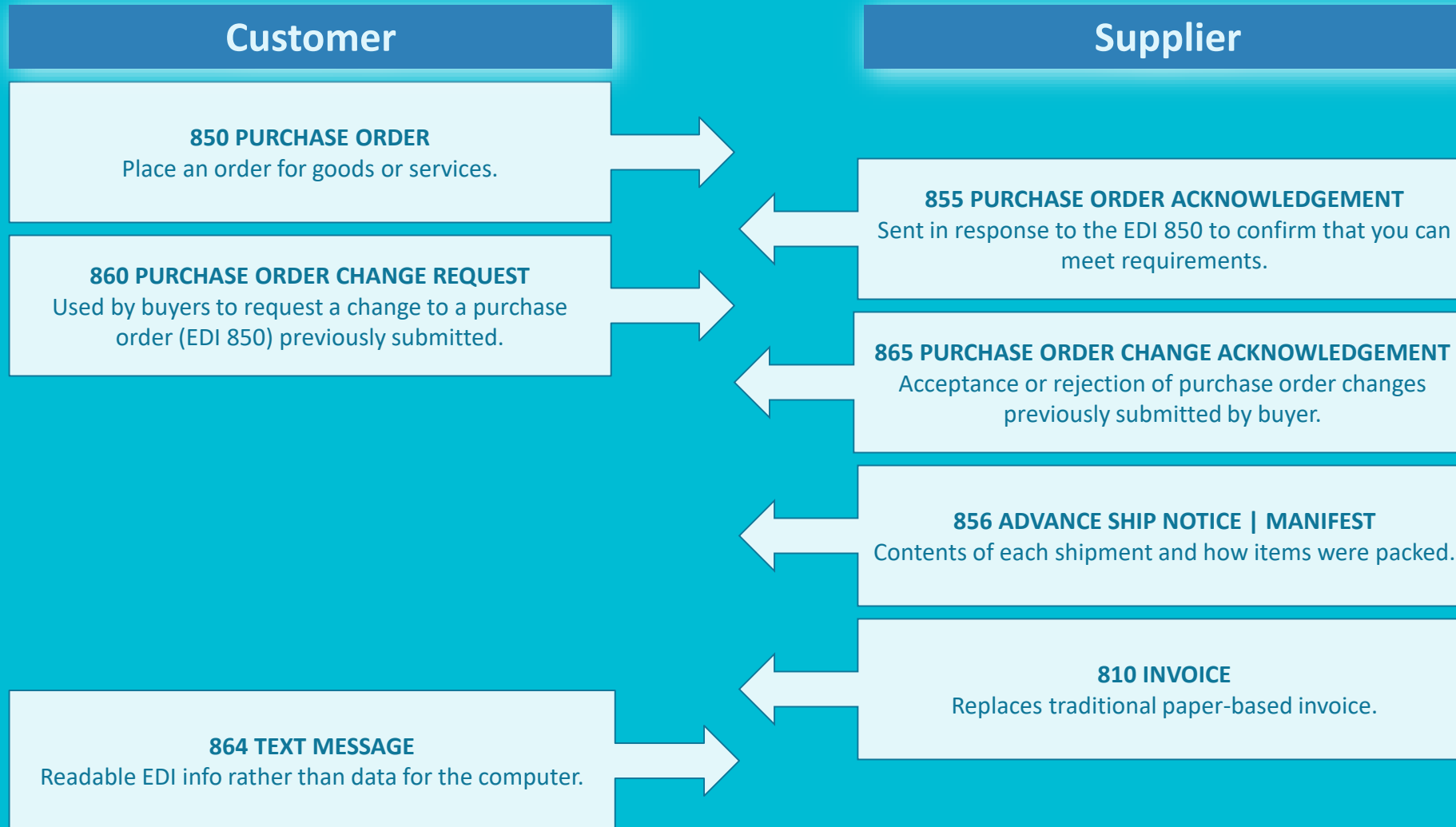
4. Manage by exception to decrease chargebacks and deductions.

Advance ship notices (ASN) issues or other data errors don't have to be a cost of doing business. Increase revenue by getting more value out of the supply chain data flowing through your system.

5. Gain visibility and control of your operations. Identify a solution that provides cross-functional users access to critical information in a meaningful format that'll improve operations.

This cheat sheet will explore the common EDI documents exchanged within the CPG industry, their definitions and related challenges.

Common CPG EDI Documents



EDI 850: Purchase Order

For placing orders for goods or services, it generally provides the same information found in a paper purchase order (PO) document, including:

- Item, prices and quantities ordered
- Shipping details
- Payment terms
- Discounts

This is usually the first document used to kick off a customer transaction with each subsequent document relating back to the original PO.

Simply accepting an EDI 850 from your trading partner is usually not sufficient for full EDI compliance. Most trading partners will expect other EDI transactions from you in response to the PO including:

- ✓ **EDI 997 Functional Acknowledgement**—confirms receipt of EDI 850
- ✓ **EDI 855 Order Acknowledgement**—sent in response to the EDI 850 to confirm you can meet the requirements of PO
- ✓ **EDI 856 Advance Ship Notice (ASN)**—describes contents of each shipment and how items were packed
- ✓ **EDI 810 Invoice**—replaces the traditional paper-based invoice

CHALLENGES TO CONSIDER

New Item Issues—Does the customer include new item numbers that you've never sold to them and therefore are not already set up in your ERP package? How do you identify these situations and do you reject the order to inform the customer service team to set up the new item?

By including validation checks in the processing of these EDI files, you can identify when these situations occur. By formalizing the escalation process to handle these instances, you can ensure fulfillment of clients needs by shipping correct product.

Pricing Violations—Does the customer list the same price on an item that you have in your systems, or are they citing a different price?

Formalizing how to handle these situations is critical. For instance, do you accept and fill the order and then handle the pricing discrepancy while collecting on the invoice? Or, do you choose to request the customer re-submit the PO with the correct price, potentially delaying the delivery of the product?

New Shipment Addresses—Does the PO include a new ship to address that is not in your ERP package? Are you able to ship to that location? Do you know the correct freight carriers to use in that situation?

Business rule validation in your EDI solution ensures that these types of issues can be identified early before they corrupt your ERP's data and cause fulfillment process issues.

EDI 855: PO Acknowledgement

For sellers to confirm the receipt of a PO (an EDI 850 Transaction) from a buyer, eliminating the need to call or fax a confirmation.

The 855 also communicates whether the PO was accepted or rejected, or what changes may have been made to accepted orders by the seller.

- ✓ **Accepted**
- ✓ **Rejected**
- ✓ **Accepted with Changes**
 - All line items accepted, change freight or cash terms (i.e. header-level changes only)
 - Change or reject one or more line items, no header-level changes
 - Header-level changes, and one or more line items changed or rejected
 - Each of these may be provided with or without an indication of the product availability

The 855 transaction may also be used to advise a buyer of a pre-arranged merchandise shipment directly from a vendor.

The seller will typically transmit an 810 invoice once the product ships. In some cases, an 856 ASN must be provided ahead of the shipment.

CHALLENGES TO CONSIDER

Document Creation—The 855 may be new to an organization that is new to managing B2B exchanges using EDI. One of the most frequent challenges is that a company's ERP solution may not be able to create the data necessary for this EDI document.

You may need to leverage a web-forms solution in conjunction with your automated EDI solution to ensure that you're able to satisfy customers' requirements.

Timeliness—You must send an 855 within 24 to 48 hours of receiving the original PO to inform the customer as to whether you're able to fulfill the order or if it's necessary to place an order with an alternative supplier.

It's critical that you know you have received these documents so you can respond in a timely fashion, making alerting capability necessary within your EDI solution.

EDI 860: PO Change Request

For buyers to request a change to a PO (EDI 850) previously submitted.

It may also be used by buyers to confirm their acceptance of changes to POs made by the sellers.

The 860 transaction is important for ensuring that the final order is accurate providing information initially describing the PO and highlighting any changes.

PO changes may include:

- ✓ Add items
- ✓ Change items
- ✓ Change dates
- ✓ Change quantity
- ✓ Price change
- ✓ Reschedule

After receiving an EDI 860 Purchase Order Change Request from a customer, the seller can then send an EDI 865 Purchase Order Acknowledgement with change in response.

CHALLENGES TO CONSIDER

Process Impacts—Ensure that you're able to adjust order acceptance processes and fulfillment practices when an 860 is received. Change in an accepted PO can impact your confirmed production schedule and shipment plans, so understanding how an order is actually being altered is critical to how support teams must adjust.

Informing customer service and fulfillment stakeholders that these documents have been received and then providing the information in a way that they can understand will all them to adjust the process ensuring that customers get the right product at the right time.

Notification—Some ERP packages do not support the concept of an 860 type document, so it's critical that the right team members are notified when an 860 is received to ensure accurate order fulfillment.

Proactive notification of these documents is critical with customized alerts in your EDI solution in the event that your ERP is not able to support this particular scenario.

EDI 865: PO Change Request Acknowledgement

Sellers of goods and services transmit 865 documents for two reasons: First, to communicate the acceptance or rejection of PO changes previously submitted by the buyer, or to communicate changes made by sellers to previously submitted POs.

The 865 represents one in a sequence of transactions in a typical business process involving a buyer (such as a retailer) and a seller (such as a manufacturer). That process includes the following exchanges:

- ✓ Buyers submit 850 Purchase Order transactions to sellers to order products
- ✓ The sellers respond with EDI 855 Purchase Order Acknowledgment
- ✓ A buyer wishing to make changes to the original purchase order communicates those changes with 860 Purchase Order Change Request transaction
- ✓ The seller communicates acceptance or rejection of the buyer's changes with an 865 Acknowledgement
- ✓ Sellers may also request changes to the original PO using the 865 Request

Note that an acknowledgement of a buyer's PO change request may be communicated by the seller either with an 855 Acknowledge or with an 865 Acknowledgment. This is the choice of the buyer and will likely be indicated in the buyer's EDI guidelines.

It typically includes much of the same information that appears in a PO (850 Purchase Order document) like product description and quantities, shipping information, terms and costs. However, it'll likely also include specific references to what is changed from the original PO, as well as a code to indicate whether the document is being used as a Request or as an Acknowledgement.

CHALLENGES TO CONSIDER

Document Creation—The 865 is another document that may be new to an organization that is new to managing B2B exchanges using EDI. One of the most frequent challenges is that a company's ERP solution may not have the capability to create the data necessary for this EDI document.

It may be necessary to leverage a web-forms solution in conjunction with your automated EDI solution to ensure that you are able to satisfy customers' requirements.

Timeliness—You must send an 855 within 24 to 48 hours of receiving the original PO to inform the customer as to whether you're able to fulfill their order based on the changes or if they need to place an order with an alternative supplier.

Again, it's critical to have the appropriate alerting within your EDI solution to inform you that you've received these documents and acknowledge within the established timeframe.

EDI 856: Advance Ship Notice

This transaction is more commonly called the Advance Ship Notice or ASN and is used to electronically communicate the contents of a shipment to another trading partner and is sent in advance of a shipment arriving at a trading partner's facility.

The 856 transaction is commonly used by the retail, manufacturing and automotive industries in response to EDI 850 transaction.

In addition to detailing the contents of a shipment, the EDI 856 includes order information, descriptions of products, types of packaging used, carrier information and more.

An ASN may also provide information at a variety of levels, including:

- ✓ Shipment level information such as tracking numbers and carrier information
- ✓ Order level information such as purchase order numbers
- ✓ Item level information including items and quantities
- ✓ Pack level information including such as barcodes printed on each carton

CHALLENGES TO CONSIDER

Bar Coding | Receiver Processing—ASN documents are used to provide an electronic bill of lading for the receiver. The use of bar codes on package labels allows the receiver to scan the packages and know what's in them based upon the relationship to the electronic ASN. Issues with the bar code labels, discrepancies between the bar codes, and the ASNs often result in the manual sorting of packages leading to increased labor costs for the receiver and often charge-backs or penalties for the supplier.

Building business rules into your ERP or EDI solution to validate the accuracy of the ASN data will eliminate the many potential issues that can cause significant friction to your customer relationship.

Completeness—Each trading partner has different requirements putting the burden on the supplier to support various formats. The ASN also becomes a data collection issue, i.e. each carton in a shipment may be assigned a unique barcode identifier that must be transmitted back to the trading partner.

Additional business rules to validate the completeness and accuracy of the ASN data is incredibly important to avoid confusion and subsequent penalties and fines.

Timeliness—Trading partners typically require an ASN to arrive prior to the shipment.

Understanding when the ASN is required supported by alerting within your ERP or EDI solution will ensure you don't miss this document and get slapped with missing ASN charge backs.

EDI 810: Invoice

This electronic version of the paper-based invoice is typically sent in response to an EDI 850 PO as a request for payment once the goods have shipped or services are provided.

This is often the final document in your transaction workflow and must adhere to all previously transmitted data from the EDI 850 PO and EDI 856 ASN.

The 850 Purchase Order commonly contains:

- ✓ Invoice details such as invoice number and date
- ✓ Shipping details
- ✓ Payment terms
- ✓ Item information including prices and quantities
- ✓ Discounts

Once transmitted, additional EDI documents may be sent in response:

- ✓ **EDI 997 Functional Acknowledgement**—confirm receipt of EDI 810
- ✓ **EDI 864 Text Message**—report business violations detected in invoice
- ✓ **EDI 820 Remittance Advice**—detail payment of the invoice

Issues with an EDI 810 may result in delayed or short payments by customers, so it's important to understand the common pitfalls for this document and ensure that your systems and processes are complete and accurate.

CHALLENGES TO CONSIDER

Discounts—Discounts are reflected differently within the EDI 810 data structure and often issues can be traced to inaccurate calculations or representations of discounts. *Validating the actual EDI data sent to your trading partners to verify the accuracy of your discount method when first implemented will eliminate the common scenario of over discounting a customer due to a data mapping issue.*

Pricing Issues—If an EDI 850 PO with incorrect pricing is submitted and your ERP system attempts to use your own pricing, the invoice may not meet customer pricing expectations resulting in a short payment, or worse, no payment. *Validating the item pricing on the actual EDI Invoice sent to a customer against the EDI PO they sent you is the only way to ensure that the two are in synch and that you're not overcharging (resulting in a short payment) or undercharging (leaving money on the table).*

Invoices Out of Balance—If invoice line items don't add up to the total on the invoice, the customer is likely to pay the lesser of the two resulting in further short payments.

Validating the invoice is balanced on the actual EDI message will ensure that no data mapping or rounding errors are being presented to customers.

EDI 864: Text Message

Designed for the transmission of various communications in a easy-to-read format rather than for computer processing only.

Information transmitted via the 864 may include simple messages, contracts, explanations, etc.

An 864 document includes:

- ✓ Message date and time
- ✓ Recipient identifying information (to ensure the message is delivered properly)
- ✓ Free-form message text

Because of the free-form text format, the 864 is a very flexible transaction allowing companies to use it for a variety of purposes like sending notifications to vendors, suppliers or other trading partners.

Although the 864 was designed for only one-time communications, many companies have adopted it for when no other specific transaction set exists, like providing updated store or distribution center location information.

CHALLENGE TO CONSIDER

Awareness—The most challenging aspect of the 864 is awareness that you've received one and then identify the associated transaction. Getting the 856 information to the right people in your organization is critical to ensuring correct B2B exchanges with your most important trading partners.

Building alerts into your EDI solution to identify when these documents occur is the first step. When applicable, associating these documents with the EDI POs that they are associated to will provide incredibly valuable information to eliminate errors before they snowball and result in short payments, penalties, fines or worse yet, put your business relationships at risk.

How We Can Help

We've spent over 30 years developing a deep understanding of EDI, solving EDI problems, and creating innovative and effective EDI solutions for companies of all sizes.

We know EDI and we can help you understand it too!



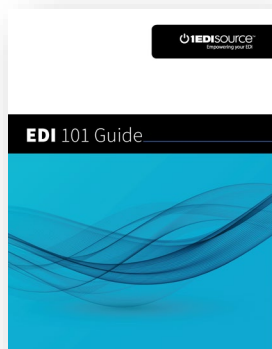
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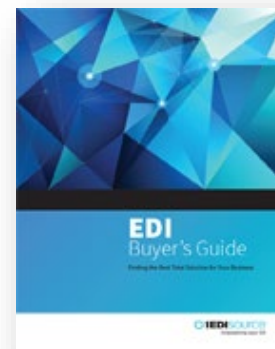
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EDI 101 Guide

- Definition of EDI
- 7 Good reasons to use it
- Four ways to implement and manage
- Five steps to unleashing the power of EDI
- Plus, a glossary of terms and common transaction sets

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EDI Buyer's Guide

Filled with resources and recommendations for evaluating and investing in EDI solutions, including:

- Product offerings
- Buying process preparation checklist
- Product evaluation criteria
- Solution scorecard template

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