REALIZING THE BENEFITS OF EDI IN RETAIL

Deploying EDI has saved national retailers millions of dollars by reducing costs of processing transactions. Find out with this EDI primer how your retail operation can benefit from the advantages of EDI.

DICENTRAL WHITE PAPER

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EDI PRIMER FOR RETAILERS

Understanding and leveraging the key advantages of EDI over manual data entry has revolutionized the way retailers operate–saving billions of dollars in bottom line costs since the inception of EDI. The application of EDI technology and processes as a core business function provides retailers tremendous strategic advantages and has become a required aspect of retaining competitive strength in the marketplace. Effectively deployed, EDI technology has the potential to drastically improve both the efficiency and the profitability of a retail operation.

THE BENEFITS OF EDI

A key benefit of EDI to the retailer is the reduction, or elimination, of manual processes. Creation of orders, which manually can take 24 man-hours or more to complete, can be reduced exponentially, often to less than one hour using EDI. Additionally, with virtually no human involvement, the resulting benefits are not only in the form of a direct savings of 24 man-hours on a single process, but by eliminating the data entry task EDI allows costly resources (manpower) to be dedicated to other critical functions increasing productivity and reducing costs by even greater levels.

Processing financial transactions with EDI can reduce the cost of invoice payment by more then 90%, using electronic payment methods. Paper checks costing $5.00 or more per check can be reduced to less then 50 cents per transaction. A retailer processing 1,000 checks per day can reduce fixed costs from over $5,000 per day to just $500 a day, a direct annualized savings of $1,080,000.

In addition to direct, hard-line savings affected by the elimination of manual processes, EDI provides increased benefits in other areas. EDI can increase the accuracy of orders, invoices, and shipping notices (on average) by 20 percent or more. When a retailer is fully leveraging EDI, a direct improvement of 1 to 3 percent in profitability is feasible from EDI related savings. Indirect savings can have an even larger impact on the bottom-line.

STREAMLINED ORDER PROCESS

The application of EDI to a retailer's demand chain offers the opportunity to re-engineer and streamline the order process, reducing time, effort and the associated costs.

Overall effectiveness of the order process can be improved through the elimination of unnecessary steps. During the re-engineering phase, retailers should evaluate every step performed in their existing process. If the step does not provide any real value in the post-EDI process, the step should be discarded.

Efficiencies are gained through the automation of critical steps, applying automated processes and business logic to the processing of outbound purchase orders. Once the unnecessary tasks have been identified and discarded, the remaining ones should be automated as much as reasonable and possible. By automating tasks, retailers begin leveraging EDI technology to perform the routine, mundane tasks faster and more accurately than is possible with manual processes.

Try our latest version of DiTranslator today. Key advantages include:

- **An installation that takes only minutes.**
- **Add trading partners quickly using pre-built kits.**
- **Automate your EDI for a true "zero-effort" experience.**
- **Easy-to-use interface ideal for novices and advanced users.**

EDI saves you money
Using EDI to process checks for a retailer processing 1,000 checks per day can save more than $1,000,000 per year.

DECREASING ERRORS/INCREASING ACCURACY

The application of EDI to automate a retailer's order process permits the retailer to drastically reduce the number of errors in the order cycle by reducing the amount of human involvement in the processes. Reducing errors in outbound purchase orders provides several significant benefits to retailers. First, it increases the speed suppliers process purchase order information, with reduced errors resulting in less rejected orders. Second, reduced errors mean less time spent by retailers and suppliers re-working orders. Third, reduced errors increases the accuracy of shipments, reducing the chances of wrong items being received and the resulting costs associated with returns processing, as well as reducing the chance of costly out of stock conditions.

EDI Improves accuracy

EDI can increase the accuracy of orders, invoices, and shipping notices by an average of 20% or more.

INCREASING TURNS

The application of EDI to improve the accuracy and processing time of purchase orders results in greatly increased inventory turns for purchased goods.

Because purchase orders can be processed and fulfilled faster by the suppliers in an EDI enabled model, retailers that leverage EDI can extensively increase inventory turns through their warehouses, usually finding that they can also reduce the amount of inventory that must be maintained on the shelf at any given time. By leveraging EDI advance ship notices, retailers can actually automate much of the receiving process, allowing retailers to control and manage perpetual inventory much more accurately, permitting the utilization of even faster turn rates.

IMPROVING RESOURCE UTILIZATION

The application of EDI technology also provides retailers the opportunity to address the number of people dedicated to the order process. Traditional manual-based order processing models are labor intensive, requiring significant effort and cost. By applying EDI to the order process in a strategic manner, the elimination of non-value adding tasks and the automation of the remaining tasks provide retailers with the opportunity to examine their resource allocations and eliminate cost from the

order process. Technology can be structured to handle the routine, mundane tasks like data entry and exception detection that traditionally are problem-prone with a manual labor force. This frees the labor force to concentrate on solving problems providing not only reduced costs to the order process, but increased productivity from the labor force that has been reassigned.

EDI can Increase turns

Faster turn of transaction documents means more rapid fulfillment of inventory, resulting in faster inventory turns.

In addition to the traditional demand chain management applications of EDI technology - purchase orders, invoices and advance ship notices - there are additional strategic uses of EDI that can have a drastic impact on a retailer's business. One of the strategic uses of EDI that potentially has the greatest impact on a retailer's bottom line is the application of Financial EDI (FEDI/EFT).

FEDI/EFT

One of the largest hidden costs to a retailer is the processing of costs associated with generating paper checks in response to invoices from suppliers. Using FEDI/EFT technology and processes, retailers can actually reduce the cost of processing payments from several dollars per check to mere cents per check. Many banks today can accept a properly formatted EDI transaction and actually generate the funds transfer, eliminating the paper check.

In the FEDI/EFT model, retailers no longer generate paper checks. The information needed to generate a bank payment is contained within either a FEDI 820 transaction or an EFT ACH transaction. These electronic payment transactions are then sent to the retailer's bank using traditional EDI communications. The banks in turn generate payments through the banking network using the information in the electronic payment transactions.

The result is that the electronic payments are processed faster with higher accuracy and lower costs than with a traditional paper check process. The greatest benefit is the cost savings. It has been estimated that the total cost to create and send a paper check can be as high as $5 per check. Applying FEDI technology and processes can reduce the cost to as little as 50 cents per check–a significant savings for a retailer that can process thousands of checks on a yearly basis.

SUMMARY

The advantages of EDI have driven the vast majority of nation-wide retailers to adopt the technology to improve operations, reduce transaction times and, most importantly, eliminate costs from their transaction processes. By employing EDI a retailer can reduce the costs associated with processing purchase orders, invoices, and other financial transactions like checks to financial institutions. By automating these processes and eliminating the costly manual entry of data retailers can provide lower prices, better service and improve their bottom line.

ABOUT DICENTRAL

Founded in 2000, today DiCentral is a leading global innovator in the EDI (Electronic Data Interchange) industry segment. A broad range of Software plus Services solutions enables a seamless exchange of data throughout supply chain networks. DiCentral's integration solutions are scalable to the size, growth, and unique requirements of each business. In addition, DiCentral develops and markets a complementary suite of supply chain applications for retailers and suppliers, including EDI Testing, Global Enablement, Web EDI, Managed Services, and more.

http://www.dicentral.com
(877) 878-3334

DiCentral's DiTranslator EDI translation software has been deployed by thousands of customers and is managing millions of dollars of EDI transactions every day. Visit our web site to learn how DiTranslator can help you achieve the benefits of EDI.

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