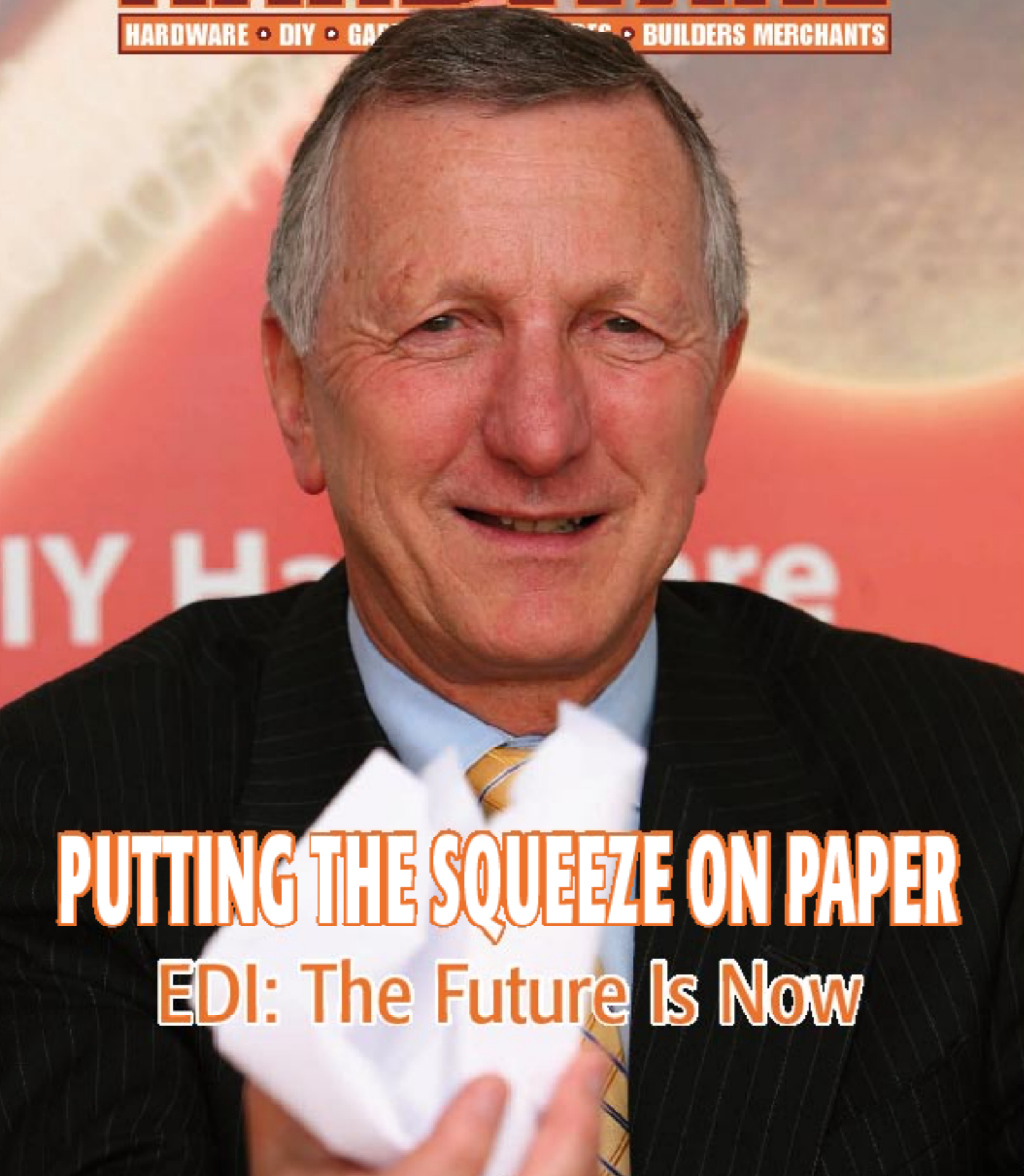


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HARDWARE

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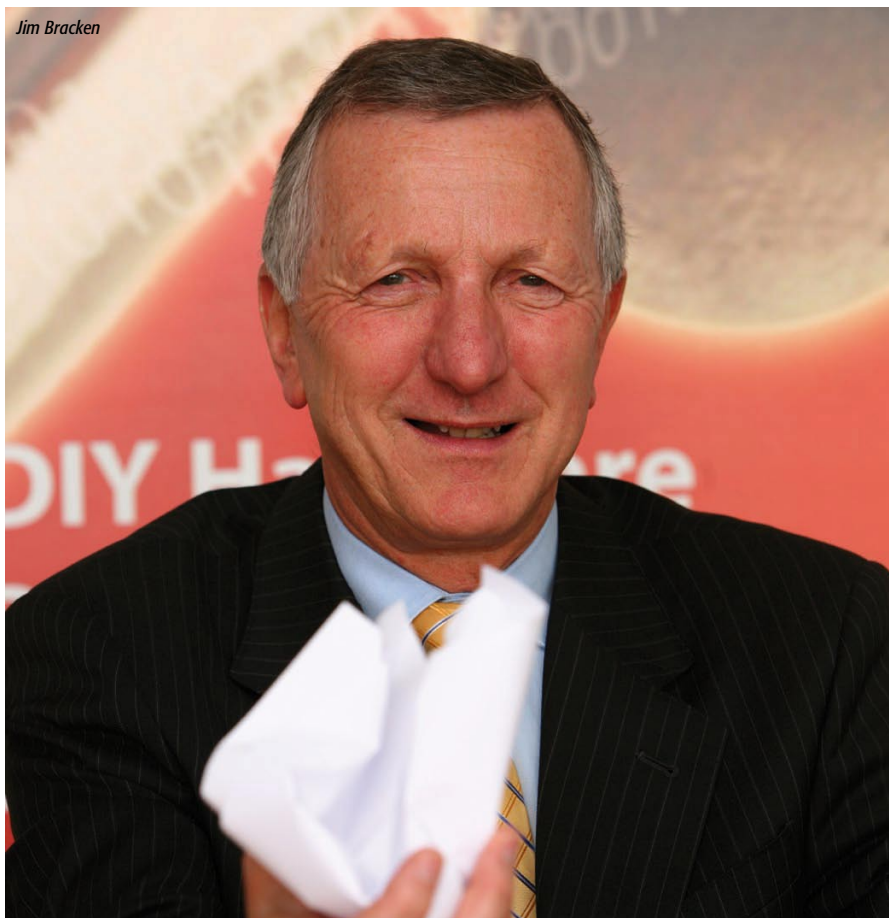
PUTTING THE SQUEEZE ON PAPER

EDI: The Future Is Now

Speak my language!

Why EDI can save you time and money

Electronic Data Interchange (EDI) is going to happen in the Irish Hardware, Building Materials and DIY sector. The consensus is that it's just a matter of when and how. And there are many good reasons. Findings from a recent study in the US indicate that paying paper invoices costs 22½ times more than paying electronic invoices – and that is when there are no queries. Want to hear more? We thought you might....



Jim Bracken

For over fifteen years now retailers and suppliers in the grocery sector have been using electronic trading (EDI). As a result both have achieved significant savings in terms of reduced paperwork, time and errors as well as increased supply chain efficiencies.

Key Members

Now key members from the Hardware, DIY and Building Materials sector, including retailers, suppliers, manufacturers and IT experts have come together to form an EDI Working Group with the aim of implementing an industry agreed EDI strategy that caters for the needs of all parties and provides cost savings and benefits for all concerned.

As well as working through what the industry's requirements will be for an EDI message and roll-out strategy, there will also be work to update and maintain bar code numbers (GTINS) to the advantage of all sectors.

Recent work has concentrated on developing the invoice message but this is only the start of course.

Evident

The benefits of EDI are evident to all in the business environment and the work undertaken by this all industry grouping will benefit all concerned is the message. Even from the most cursory of glances at EDI this would certainly seem to be the case

In fact the benefits for EDI have been evident for a number of years and as we know the FMCG sector in Ireland almost entirely operates an EDI format. They recognise the benefits as including the following:

Reduced processing costs, which significantly improves the bottom line and aids cash flow, no handling of paper, no filing, no missed files, no lost files, increased accuracy and the freeing-up of staff to focus on core issues such as sales.

EDI provides business with the ability to exchange documents easily between partners without laborious time consuming and error prone movement and handling

The Payback from EDI

Probably the biggest consideration involving a move to EDI relates to the Return on Investment (ROI) and payback. There are significant savings to be made to monthly costs once EDI has been implemented.

The ROI for any company will be determined by the actual cost of setting up and implementing an EDI system. In this survey, payback on set-up cost was attained in ten months for suppliers and only six weeks for retailers.

Using EDI

For a supplier, switching to EDI means that less time is spent printing and posting invoices. Instead, invoices can be prepared on-line and despatched using Global Location Numbers (GLNs) to retailers.

For a retailer, the potential savings are even greater. With less time spent receiving, scanning, verifying, checking, etc. invoices arrive via EDI directly to the retailer where they can be processed on-line and payments made.



GS1 (or Global Standards One) has 108 offices around the world. GS1 is a thirty year old organisation and has had a couple of previous names during that time such as EAN.

Put simply every item in the supply chain is numbered and they are responsible for administering this in Ireland according to a universal language.

GS1 is a not-for-profit organisation, says Jim Bracken. 'We assign these numbers globally to supply chain parties. There are global location numbers for senders and recipients and items too.

'You can use them anywhere in the world. It's about security of identification.'

of paper. A transaction that could take between five and eight days using a paper system, now takes only minutes.

Pilot

The IHBMA, GS1 and Atlas Products have been embarking on a pilot project as a 'proof of concept' for the introduction of EDI to our sector. This group within the committee decided to go forward with substantive work over the last 6 – 9 months. This pilot is nearing an end, and at this stage with impressive results.

The companies involved in the pilot currently are Associated Hardware, Amalgamated Hardware, National Hardware, 4Home and Glanbia. Also, from a supplier perspective, Irish Cement, Ronseal, Groundforce, Crown Paints and Velux.

The group obviously has the support of top retailer and supplier organisations for this initiative. It further hopes to get as many enthusiastic members from the sector as possible to role out 'an electronic solution to our burgeoning mountain of paperwork and administration'.

The aim of this group is to provide a solution that caters for the needs of all parties and provides cost savings and benefits for all concerned. 'We would like to inform and encourage other companies within the sector to participate and benefit from the learning achieved so far,' says Jim Copeland of the IHBMA.

'GS1 Ireland has provided an invaluable collaborative platform for all industry members to contribute to this exciting and important industry initiative,' Jim adds.

Community

There is no doubting that GS1 plays an important role. 'It has the history and ability to facilitate collaborative commerce,' says Jim Bracken CEO of GS1 Ireland.

'EDI has been part of the grocery sector for some time,' says Jim. 'However this was the first time I saw a new community start up. It was fascinating to see it all come together.'

It may have featured in the grocery sector for sometime but different markets will have different considerations and issues, points out Jim Bracken. There is a standard suite of messages and there has to be allowances for localised conditions.

'We had to arrive at a consensus in terms of the invoices and we will now work on the purchase order messages.'

Of course it was good to have the example of the grocery sector going before all of this. That goes without saying perhaps.

'From grocery we had learned that e-commerce does work and that it has a lot of benefits. There are huge cost savings and efficiencies in terms of communications. Savings have been realised.'

Whether big or small everyone can get involved, adds Jim Bracken. 'The way that it is now set up means it will not be a problem for smaller businesses. Already anyone can get involved as far as invoicing is involved.'



So where do they start? Essentially they need to go to a provider like Atlas, says Jim. 'There is a choice out there for people,' he adds. 'Contact us at GS1 and we can send out some information about how to get involved and can provide basic training.'

Atlas

'In the current climate where there has been a slight downturn, companies should be looking for ways to streamline their business processes and reduce overheads. EDI is certainly one of the ways to achieve this.' This is the message from Atlas Products International.

Atlas describes itself as one of the longest established and most innovative data communication, EDI and XML specialists. It has recently expanded its operations into Ireland.

'Our knowledge of supply chain issues enables us to develop solutions from bespoke systems integration to sophisticated plug and go products taking advantage of low cost, secure internet options.

'We work with organisations of all sizes, including large retailers and supermarkets, providing both market specific and generic solutions.

'We understand that each business is unique and that our role is to understand our customers' business dynamics and to identify data transmission solutions that meet those individual needs,' says Greg Magrane of Atlas.

'The sooner you sign up, the quicker you can go live,' says Atlas of the current project, adding that more and more hardware / DIY suppliers and retailers are getting involved in this initiative.

Are there any things they should watch out for / any common mistakes? 'Make sure the EDI messages reflect their business processes i.e. any idiosyncrasies are highlighted and catered for,' is the message from Atlas.

'Also, ensure all trading partners agree with the standard message and request any changes required through the EDI committee.'

Greg also points out that the invoice message is just the first phase. There are more to come. 'We are in the process of developing software to create the message for the purchase order message and purchase order change request,' he explains by way of examples.

Groundforce

Groundforce are gardening and horticultural distributors. 'Our business is split between multiples and independents,' says Dennis Diggins. 'From a supplier point of view it is beneficial to have one standardised message.

'This pilot means it will be a unified single message and cuts out developing new messages when someone comes on. There are standardisation and conformity benefits immediately and cost savings.

'Another benefit I would see is a speed and processing time and when you process invoices through EDI the payment cycle is shortened.'

Dennis also mentions reduction in administration, a 'paperless office' environment, a reduction in staff costs and lowering of postage costs. All in all it's an impressive list of advantages.

'Everyone is interested in it and pushing it along,' says Dennis of the work carried out so far. 'Groundforce was eager to get involved early on,' he adds. 'We would be supportive of technology.

'Orders come in through EDI we drag them to the back office and they go straight out to the warehouse. There is a far quicker turn around for the customer.

'GSI and IHBMA all very helpful in this. Without them there is no way we could have had such a harmonious finalisation.'

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AHL

As IT Manager for Associated Hardware PLC, Jude Wilson represented one of the five retailers, or receivers of invoices in the EDI pilot project. 'I was responsible for the IT implementation of the Project into Associated Hardware PLC's network, and the integration of the data with our current IT systems,' says Jude.

'At the beginning of the project Clive Schorman (business development manager) our Accounts people and I were involved with the detailing of the requirements from the EDI invoice message. In this process we ensured that all information both we and our members required from our invoices was included in the EDI replacement invoice.

'This EDI message was compiled by GS1 Ireland, and then we started the selection process for the EDI provider. We started with a long list of possible providers, which was brought down to a short list of providers who came to GS1 Ireland's offices, and gave the selection team a presentation on their different solutions.

'Atlas was agreed to be the best provider for our joint requirements, based on their cost structures, ability to access EDI across multiple platforms, their provision for solutions to both very large players right down to the one user sole trader, and their previous experience working within the Hardware industry in the UK.

'Atlas then worked with our EDI message, and provided their Atlas MX application to Associated Hardware PLC (some other members of the project may have received a different version depending on their current systems) which centralised the import of all invoices from the five pilot suppliers, and exported to the one format CSV flat file.

'We developed our own application to validate and import this file. We then started the process of testing EDI "side by side" the invoice received by post.'

Irish hardware asked Jude if AHL would like to see stores in the group joining in and if AHL would be encouraging them and recommending that they be involved in EDI?

'Very much so,' is Jude's emphatic response. 'We have given a presentation to this effect to our members at our recent AGM.

'EDI is a solution that all players in the hardware industry need to embrace, no matter how big or small they are, and I am confident that the whole team involved in designing the solution has delivered a solution that can be shaped to fit each user's different requirement, while still keeping the integrity of one single message format.'

So would this be an area where AHL can help members? 'Yes,' says Jude. 'We believe we can assist all our members with this, no matter what back office solution they are using.'

As to its benefits so far Jude points out that as part of the EDI project there was a cost benefit analysis done which shows there is 'a significant saving for our supplier' from using EDI. 'But,' he adds, 'there is an even greater benefit to the customers receiving the invoices.

'From my perspective, I feel this is a "no brainer", I would suggest anyone looking at the system, takes a minute to detail on paper every step their invoices go through to get in to their back office system.'

- How many times does the invoice change hands?
- How long does it take to get from one end of the process (the supplier sending the invoice) to the other end (in their accounting system)?
- How much space is taken up to store the original invoice?
- How easy is it to access the original invoice?

'Once they are done, I believe it will be clear to anyone that EDI is a far superior solution,' says Jude. 'The more this grows the better for all,' he adds.

Building on the Benefits – What Next?

So the signs are all positive. Yet we must remember that the results documented here have focused on the cost savings and benefits that have been achieved as a result of the implementation of an invoice message only.

These benefits will be further enhanced when additional messages such as the order message are adopted and implemented.

As Jim Copeland says: 'The reality of EDI is that it is time tested and works successfully. It is a straightforward application with an initial expense which will be recouped within a very short period of time.' Some would say the shorter the better.