ELECTRONIC COMMERCE

Falling Barriers

Electronic Data Interchange has reached a tipping point as the technology becomes more user-friendly and affordable. By Carol Casper

With costs rising, margins thinning, competition intensifying and complexity proliferating, beverage companies and their customers are working harder than ever to streamline operations, boost efficiency and gain a competitive advantage. In this environment, it's not surprising that electronic data interchange (EDI) is climbing to the top of many to-do lists.

EDI is hardly new. Initiatives to enable direct exchange of transaction data between trading partners' computer systems have been underway for almost 20 years. By this point, the benefits of EDI have been well documented, including improved accuracy through the entire purchase order to delivery to invoice to payment cycle; lower transaction costs; improved speed in accounting and operational functions and tighter integration between trading partners.

What is different about EDI today are the lower costs to get involved and the greater ease with which at least some companies can integrate EDI into their business applications, thanks to advances in technology like the Internet and newer enterprise systems that have capabilities for EDI functionality built in.

This tandem of mounting pressures coupled with easier implementation have combined to spur considerable adoption of EDI by leading beverage producers and distributors over the last two to three years in particular.

One industry member who's been involved in EDI initiatives for many years says, "Ten years ago we had a handful of distributors who had implemented EDI. Five years ago perhaps we'd doubled that. Today, there are probably hundreds of companies in the beverage business that are EDI-capable."

"We saw the period of 2005 to 2006 as 'the year of EDI,'

particularly for beer distributors," adds Jovo Filips, vice president business development, sales & marketing, Rutherford & Associates, which offers the eoStar route accounting system.

In addition to technological advances, increased pressure on suppliers by key retailers like Wal-Mart and 7-Eleven also have spurred more rapid adoption in the last few years, Filips notes. "In the DSD space in particular, one of the key drivers has been the need to shorten and streamline delivery check-in procedures at the retailer's back door," he says. EDI transactions such as advance ship notice and pre-delivery invoice can help distributors reduce check-in time from 40 minutes to just 15 minutes, Filips points out. That alone can be enough impetus for companies to implement EDI, not to mention the improvements in back-office operations, such as enhanced purchase order and invoice accuracy.

Other factors that have helped move the ball forward are efforts by industry associations to educate their members on the why's and how-to's of EDI, including significant activity by the National Beer Wholesalers Association's Beer Industry Electronic Commerce Coalition (BIECC), and the Alcohol Beverage Industry's Electronic Commerce Council (ECC).

"Based on information from our members, both distributors and suppliers, the implementation and use of EDI continues to grow in the alcohol beverage industry," reports Stephen Arens, senior director, GS1 US, and executive director of the ABI ECC. "EDI is an accepted and trusted means of exchanging key business information, and as companies look to leverage their investment in the technology, they are looking for more ways to use it to communicate information."

« BENEFITS OF EDI include everything from improved supply chain accuracy to lower transaction costs and tighter integration between trading partners.

When EDI first came on the scene, pre-Internet, the only practical way for most companies to implement EDI with a significant number of trading partners was to utilize a typically expensive value-added network (VAN) to handle data transmission. Today, protocols that allow secure communication of data via the Internet have eliminated the bulk of transaction costs, putting large-scale EDI implementation within the budgetary reach of even small distributors.

Improvements in internal IT systems, including enterprise software and warehouse management programs, have also enabled companies to seamlessly generate and integrate the data being exchanged electronically with trading partners.

For companies using older or less well equipped software, the inability to integrate EDI transactions directly into their operations is a key factor preventing utilization of standards-based electronic data exchange, observes Brian Mullaly, IT director for Elyxir Distributing (Monterey Bay, Calif.).

Mullaly also believes EDI work-arounds promoted by many companies, such as web portal interfaces, or other proprietary tools, are counter-productive to spreading EDI in the industry today, as they allow distributors to become "EDI-compliant" with suppliers or customers, without actually reaping most of the benefits of true, automated, computer-to-computer information exchange.

When it comes to the details of implementation, he and others agree, there are some fine points that still need to be ironed out. One challenge, for example, is finding ways to adapt EDI transaction standards to cover every item that may appear on a paper invoice. "We can't do finance charges on an electronic invoice currently, for example. Keg deposits and returns are another thorny item, because kegs don't carry UPCs," Mullaly notes. Other problematic items can include recycling deposits, delivery charges, service fees and other miscellaneous fees. But EDI proponents have found ways to work around these issues, by assigning fictitious UPCs to such items, for example, that are agreed upon between customer and supplier. Meanwhile, organizations like the BIECC are working to address such minor obstacles.

Bottom line, Mullaly says, EDI implementation boils down to leadership. "It's precisely because of all the changes in the industry that you need to change in order to survive and improve your business," he says. "It may cost you $20,000 upfront, but you'll get that back in six months through improvements in efficiency and accuracy. That's a leadership issue." BW