



Integration that makes sense

Ten-Second Supplier Integration Test

Quick - take this test: use your favorite search engine and search for your company name and the words "EDI" and "solution". Do you see hits for service providers that offer "solutions" to your EDI requirements - using your company name? Are these "solutions" based on Web forms?

I recently had lunch with a colleague from a major international consumer goods manufacturer and we looked at the results for his company. There were a handful of vendors touting solutions for his company's integration requirements. The colleague works right at the heart of these processes with good visibility into both the business side of the house and IT. And he was shocked at the results.

What does this have to do with the efficiency of your inbound supply chain?

Leading companies continue to strive to operate with the least amount of inventory as they pursue additional internal and external cost reductions. Best practices dictate that they incorporate suppliers as partners within the supply chain through increasing the frequency and accuracy of more comprehensive information exchange. This enables planning teams to communicate with suppliers in short cycles to balance demand variation over the longer forecasted horizon. A real-time MRP system combined with a centralized supply chain allows for quick and accurate resolution of short-term supply issues.



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The key enabler to all this is "increasing the frequency and accuracy of more comprehensive information exchange." Although it is possible to do this using traditional fax and phone communications, accuracy is often lost, cost becomes prohibitive, and it is seldom timely enough to achieve optimum results. So most companies embrace direct electronic integration in either traditional EDI or more recent XML-based initiatives. They mandate that suppliers must comply by responding to electronic purchase orders with electronic confirmations. They must provide advance shipment notifications and electronic invoices. Sometimes the supplier must take a greater role in collaborative planning, forecasting, and replenishment (CPFR) and process a demand signal or accept responsibility for vendor-managed inventory (VMI).

But many suppliers are not capable from a technology or business process perspective and the search results above demonstrate that the free enterprise system has done its job by finding and filling a need. These vendors provide a solution that appears from the inbound supply chain perspective to be everything the supply chain professional wanted. But how does a Web-form-based solution measure up to the goals of the initiative? These solutions provide electronic connectivity to the inbound supply chain, but still require manual data entry on a third-party system by the supplier. Let's look at this in detail.



Cost: The goal is to be collaborative to reduce costs. But the existence of these vendors proves that an additional cost has been incurred. Their costs may be paid by the supplier, but the supplier must build this cost into the cost of their products. Optimization of the inbound supply chain to achieve internal and external cost reductions requires timely, accurate and complete information from the supplier. Let's look at that as well.

Timeliness: Since these solutions are based on Web forms, the manual data entry task has not been eliminated. The cost may have shifted to the supplier, but there is still a manual step. That means that there is a delay while the supplier retrieves the information from their internal system and keys it into the Web forms of the "solution."

Accuracy: Since there is still a manual data entry step, there's plenty of opportunity for errors. It may even be worse than when your internal staff keyed information from fax and phone because the supplier is dealing with a third-party system that may be a less-than-perfect fit and there is not the kind of training and supervision that you could have provided to an internal employee. This is an afterthought for the supplier. They do it because they were told they had to.

Completeness: There is no additional revenue attached to these requirements and it is unlikely that the supplier will add staff. That means that the existing staff may be overburdened and will certainly do the minimum necessary to meet their customer's demands.

I've written before on the "Dirty Little Secret of Supplier Portals", but the insidious thing about this situation is that you have no way to tell it's going on (except through this exercise!). The data appears to be flowing to and from the suppliers electronically. But the supply chain initiative may well fail to attain its full potential because of a shortfall in "increasing the frequency and accuracy of more comprehensive information exchange."

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What can be done?

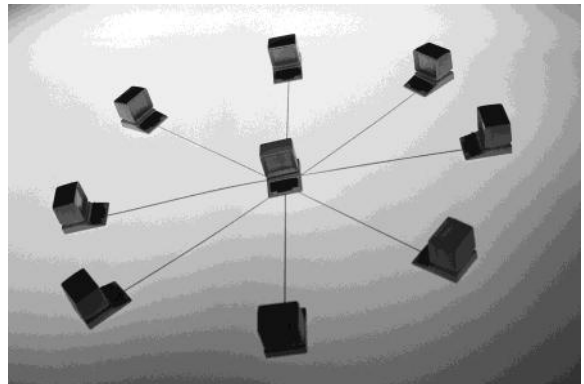
First, assess the magnitude of the problem. If it's just a few low-volume suppliers involved, maybe everything is on track after all. But if strategic suppliers or a large community of second-tier suppliers have failed to implement direct system-to-system connectivity, there is a real problem.

Second, talk with the suppliers. Many of the vendors that provide these solutions also provide much more effective solutions that can really help you meet your goals. As long as the volume is appropriate for the business model, the cost of true integration using the existing vendor may be money well spent.

Third, if the supplier can't make a business case that matches the cost of the solution provided by their vendor, you can help them explore their options. If you need an independent third party that focuses on this area, a consulting organization like BIT may be appropriate. Note that the up-front costs for some commercial "solutions" can be high and the license fee is often less than half the project cost.

If you really want to get the best results, you should consider some kind of "supplier conference" (either in person or electronic) where you present known cost-effective solutions as options. BIT and other integration-focused consulting companies can help you assess the options and coordinate adoption by the suppliers. BIT believes that open source solutions like our EME enterprise messaging engine present an attractive alternative that has no license fee at all.

Properly implemented direct B2B integration can truly help you incorporate suppliers as partners in a collaborative supply chain that benefits everyone.



About Business Integration Technology, Inc.

Business Integration Technology Inc. (BIT) is a leader in integration technology for transportation, logistics and supply chain management. BIT designs and implements highly cost-effective business-to-business connections that eliminate the costs of doing business with paper, phone and fax, bringing innovative value to shippers, carriers, 3PLs and companies looking to improve cycle time and reduce cost. BIT was founded by the team that built the messaging engine that runs North American Rail. BIT is also a partly-owned subsidiary of Daugherty Business Solutions, a firm with over 20 years of experience helping their clients achieve their business objectives through the effective use of leading information technology and more than 400 consultants in St. Louis, Atlanta, Minneapolis and Chicago.

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