



**Advancing EDI:
Leverage The Cloud to Improve
Electronic Business Transactions**

**Special Report
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**Automotive Aftermarket Suppliers Association
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Advancing EDI: Leverage the Cloud To Improve Electronic Business Transactions

*Presented by
GCommerce and the AASA Technology Council*

Executive Summary

For many years, automotive aftermarket distributors have used electronic data interchange (EDI) to streamline the procurement process with their key vendors. EDI automates the transaction process, allowing both parties to conduct business system-to-system, eliminating the exchange of paper documents, speeding the flow of information and reducing costs.

In a one-to-one environment, the system works well, but it can become cumbersome, time-consuming and expensive to implement on a larger scale with multiple trading partners. Traditional EDI requires hardware, software and people to implement and maintain it. As a result, large- and mid-sized distributors often have successful EDI relationships with just a few trading partners, leaving hundreds — even thousands — out of the equation. For smaller distributors, the hurdle to implementing a successful EDI solution is often too high, leaving them without the ability to realize cost savings and improve sourcing capabilities with key suppliers.

But it doesn't have to be that way. Today, distributors can move beyond traditional EDI to incorporate cloud-based solutions that simplify the process, allowing them to connect with more suppliers, more easily and cost effectively. This special report describes Software-as-a-Service EDI that:

- Creates a one-to-many electronic mapping relationship that eliminates the need to re-create each EDI relationship with each supplier
- Allows trading partners with different business systems to talk to each other by translating data “in the cloud” and putting it in a format that each party can easily access and use
- Streamlines and automates non-stock and special orders by creating a central repository for suppliers' inventory availability that is easily accessible via a Web portal or directly through the distributor's business system.

The end result is an EDI solution that is easier to implement and maintain, puts more trading partners on the same page and represents a step forward in streamlining the entire supply channel.

Advancing EDI: Leverage the Cloud To Improve Electronic Business Transactions

Software-as-a-service EDI solutions are putting more distributors and suppliers on the same electronic page — reducing transaction costs and improving supply chain efficiency along the way.

Electronic Data Interchange (EDI) has long been accepted as one of the best ways to streamline the supply channel and smooth business transactions between suppliers and distributors. Exchanging key business documents electronically eliminates a huge amount of paper shuffling on each side of the relationship and brings trading partners closer together as they work more effectively to serve end customers. But EDI has been slow to catch on in some industries, and the automotive aftermarket is one of them. Though an increasing number of industry suppliers and distributors are using EDI processes today, there are still many obstacles to implementing a system that works well and is accessible and affordable to everyone.

The main obstacle is complexity. EDI transaction mapping is complex due to the sheer variety of business systems and applications involved as well as the unique EDI and business requirements of each trading partner. Because no two systems speak the same language, EDI relationships are unique, one-to-one events that must be created over and over again. For many companies — especially large- and mid-sized ones — successful EDI relationships exist with just a few trading partners, and even those have their headaches. Smaller companies are also disadvantaged; they are faced with the high cost of implementing traditional EDI and hamstrung by the resulting inability to connect with trading partners in a way that could reduce their costs and help them grow their businesses.

Finding solutions to these problems is vital, especially in today's economic climate, where businesses must do more with less and continuously find ways to save money. Software-as-a-Service (SaaS) has become a prime solution for many companies frustrated by the difficulties of implementing traditional EDI solutions. For many companies, finding an outside partner that can manage and simplify EDI is the best way to reap the benefits of electronic trading.

This report will explain how trading partners can leverage SaaS to achieve optimal trading partner transactions. Part of the cloud computing movement, SaaS programs allow companies to eliminate the hardware and software needed for certain tasks, effectively outsourcing key electronic processes and functions. Today, there is much talk about how businesses of all kinds can leverage “the cloud” to streamline operations, improve efficiency and become more profitable and productive. Nowhere is this more applicable than with EDI.

The following pages will show how SaaS programs can help get more distributors and suppliers on board with EDI, leading to key benefits such as error reduction, faster service, and an overall smoother procurement process. Essentially, this report will explain how moving beyond traditional EDI to include more modern, cloud-based approaches brings more trading partners to the table and makes everyone more efficient and effective.

Introduction

The distribution process can be reduced to this in its simplest form: automotive aftermarket distributors sit in the middle of their trading partners, ordering the products their vendors produce, stocking them in their own warehouses, and then packaging them for distribution to customers. As the entity in the middle, distributors must manage the procurement cycle, keeping track of the products they order, stock, pack and ship. For years, distributors managed this process manually, producing a purchase order for the vendor, receiving a paper invoice from their vendor, and then sending a paper invoice to their customer for the products ordered.

But business is rarely that simple, and as time goes on it becomes even more complex. In the course of building a business, distributors find themselves working with hundreds, even thousands, of vendors and an even larger number of customers. Add to this an evolving marketplace that produces more and more products with more and more part numbers to stock and track each year, and you have a recipe for headaches — not to mention added costs. Automating the procurement cycle is the natural solution, and for many companies EDI has been the answer to the problem. EDI automates the transaction process between distributor and vendor — eliminating the trading of paper documents and allowing each partner to communicate system-to-system.

But EDI has proven to be a cumbersome, time-consuming and expensive process for many companies. Because each party uses a different business system — essentially speaking its own language — each EDI relationship is a unique, one-to-one event that must be created, tracked and managed separately. This means extra time, effort and cost, as EDI requires hardware, software and people to manage it. Understandably, many companies have successful EDI relationships with a handful of trading partners, but leave hundreds — even thousands — offline, largely because of the time and effort it would take to bring everyone on board.

To solve this problem — and reap the rewards of greater cost savings and a smoother procurement process — distributors and suppliers need a system that makes EDI easy, painless and inexpensive so that more trading partners want to participate and can be brought into the fold seamlessly. Once EDI is easy and inexpensive, more trading partners will connect, creating transaction consistency, accelerating the process, and speeding adoption — the ultimate goal of any standard business practice and a vital concern when you are talking about electronic transactions.

In the following sections, it will be explained why more automotive aftermarket distributors and suppliers should strive to create a standard business practice for conducting electronic transactions and why SaaS solutions should be an integral part of achieving that goal. The current state of EDI in the industry will be examined, with a close look at how some companies are using the technology to great advantage.

A Smoother, More Efficient Process

Establishing a standard process for conducting EDI makes sense no matter how big your company or how sophisticated your information technology (IT) system. Suppliers and distributors already conducting traditional EDI with select trading partners can reap big benefits from an outsourced system that simplifies and consolidates EDI capabilities among their other trading partners, for example. What's more, those companies that have no current EDI relationships can benefit from developing a program that streamlines the procurement cycle.

Finding a simplified, consistent way to connect with more partners electronically will do the following:

Save Time, Effort and Money

For distributors, even if they have successful EDI relationships with a few suppliers, chances are they have multiple people in multiple locations managing many other vendor relationships manually and matching purchase orders to advance ship notices to invoices in order to make sure the procurement cycle is on track. Consolidating and automating these manual tasks allows distributors to centralize the function, reducing labor costs and freeing up employees to focus on other tasks. Suppliers face similar challenges. Even if they have managed to implement EDI with a large portion of their distributor base, they likely have a handful of customer service reps handling phone and fax orders and the manual processes that go with them. Finding a way to consolidate and streamline these tasks can save time, eliminate extra costs and speed receipt of payments.

Simplify the Procurement Process for Everyone

The entire supply chain runs more efficiently when more distributors and vendors are connected electronically. It's that simple. Transactions are completed in less time, accuracy improves because there is less chance of human error, and each party can spend more time on their core competencies.

Level the Playing Field for Smaller Companies

Small distributors and suppliers are often at the greatest disadvantage when it comes to EDI because they lack the resources to invest in a solution. As we have established, traditional EDI requires hardware, software and people to manage it — so it can get expensive. Beyond that, there are set-up costs, testing and other preliminary steps that require time and effort. Finding an outside partner that can take that pain away is the key to success for smaller companies. SaaS solutions accomplish that goal and take it one step further by creating the “one-to-many” relationship that makes it easier to connect with more trading partners.

The EDI Evolution

As was stated at the outset, many automotive aftermarket suppliers and distributors are using EDI. But the approach is often piecemeal. Suppliers work to accommodate the variety of ways their distributors want to conduct electronic business — including traditional EDI programs and proprietary Web order-entry programs. On the other side of the coin, distributors manage a handful of EDI relationships, missing out on the opportunity to connect with more vendors because of the complexity of their traditional EDI models. Both parties agree that finding an easier way to connect everyone in the channel makes the most business sense.

The automotive aftermarket industry has taken a big step toward this solution with its recent endorsement of the Super Spec, an independent SaaS program that combines the requirements of multiple trading partners into one specification and creates standardized data definitions



within the data fields. Essentially, the Super Spec acts as a translator, taking the key EDI data requirements of multiple trading partners and combining them into one electronic specification that can be used over and over again. (See Exhibit 1) The program then automates the communication process so that each party gets the information it needs in whatever format or “language” it prefers. With full implementation of the Super Spec, distributors can do the setup work once and re-use the map for all of their supplier partners. Ultimately, the Super Spec reduces the time to go live with document exchange and greatly reduces the cost required to set up an electronic connection.

The Super Spec has enabled thousands of EDI connections to be set up and managed in the industry, and the Automotive Aftermarket Suppliers Association Technology Council (ATC) and the Automotive Aftermarket Industry Association (AAIA) have endorsed it as an industry best practice for EDI. Today, a committee of AAIA suppliers, distributors and technology providers oversees the automotive aftermarket Super Spec, which is an open specification available to any party at no cost.

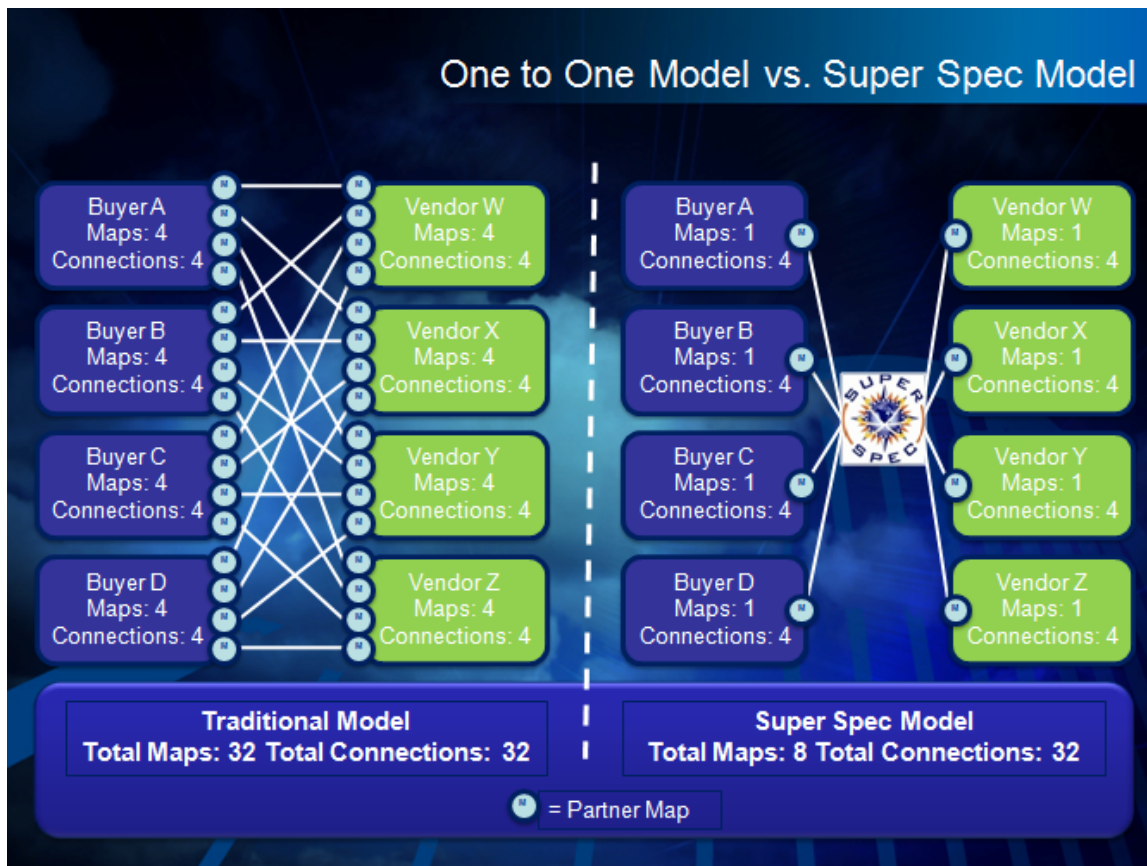


Exhibit 1

The Super Spec reduces the number of electronic trading maps between distributors and suppliers, saving time, effort and cost — and making it easier for more trading partners to connect electronically.

Such standards are helping distributors and suppliers meet the ultimate goal of streamlining procurement throughout the supply chain.



“I love the fact that we can finally start talking [to each other] electronically,” says Paul Agather, chief information officer for Parts Wholesalers Inc., an automotive parts and supplies distributor that uses cloud-based services, including the Super Spec, to conduct EDI with its vendor partners. “When we all do it together, it really makes a big difference.”

How Cloud-Based EDI works

Moving beyond traditional EDI to a cloud-based solution means using a vendor that acts as a gatekeeper to ensure consistency and speed the adoption of electronic trading standards. The outside vendor acts as translator, converting trading data “in the cloud” and putting it in a format that each party can easily access and use.

The reason many industry-developed electronic trading standards don’t work is that no one is enforcing them. An independent company sitting in the middle of all trading partners can ensure the consistent flow of information back and forth, with nothing lost in translation.

What’s more, outside EDI partners manage all of the “messy stuff” involved with EDI, such as:

- Defining the data elements for distributors and their suppliers (working in conjunction with the distributor’s IT system provider);
- Determining the appropriate EDI standard and customizing it to the distributors’ and suppliers’ requirements (working with the distributor/supplier IT system providers);
- Gathering and tracking contact information for all key contacts at the supplier location;
- Prioritizing the distributor’s list of suppliers;
- Keeping track of each supplier’s status;
- Once the distributor’s EDI list is prioritized, contacting each supplier to get them signed up and scheduled for implementation;
- Setting up communication protocol for the distributor and its suppliers (working with the suppliers and the distributor’s IT system provider);
- Testing communication and documents with the suppliers; and
- Integrating EDI data into the distributor’s system (working with the distributor’s IT system provider).

Engaging an outside partner to handle such tasks speeds adoption of the entire EDI process — simply because it is less work for the distributor or manufacturer to handle on their own. As Agather notes, a good EDI partner accumulates the information, organizes the process and tells everyone involved that “this is the way it needs to be.”

“[We have a partner that is] very helpful and knows just how far to push things,” says Agather. “And they’re getting better results than I expected.”

Real-World Examples

Jerry Burnett, IT manager at the aftermarket division of Dayco Products, agrees that the more trading partners on board with EDI, the better for everyone. And he says cloud-based services have helped move EDI forward, allowing more distributors to connect to their vendors and giving all parties greater functionality and increased visibility into the supply chain.

Full-function EDI in general offers greater functionality than some of the older services, which only allow distributors to send an electronic purchase order and get a quick acknowledgment of receipt. But today, more advanced systems allow the sharing of documents such as advance shipment notices (ASNs) and electronic invoices, reducing manual keying of such tasks.



In addition to eliminating the hardware and software requirement needed to implement full EDI, cloud-based services often provide advanced functionality that allows distributors to:

- Send an electronic purchase order (PO) directly from their system or upload the PO into the software provider's system;
- At a glance, see which orders suppliers have or have not acknowledged/received;
- View what is being shipped and when it is scheduled to arrive;
- View all electronic POs, ASNs and invoices in one location; and
- View and print invoices in a single format, regardless of the supplier.

The net result is greater efficiency, as well as cost savings in purchasing, customer service, receiving and accounts payable.

"[Cloud-based programs] can give you more full-function EDI support as a service," explains Burnett, noting that they can be especially helpful to smaller distributors that may not have EDI programs as well as those that have older systems with limited functionality. "[These providers] have stepped in and allowed a bit more visibility for the customer — and they haven't created any extra burden on us to provide those outbound documents. That's where the benefit has come from services like these."

Burnett adds that EDI in general represents a tremendous time and labor savings for suppliers. Standardization and error reduction remain the key reasons for getting on board, he adds.

"Essentially, you can standardize the way an order comes in every time," Burnett says. "Once you set up that document, you know every time it's going to come in with [a particular set of] characteristics."

"We can automatically create the order, we can even work to automate the process internally, and if you're capable of receiving outbound documents, you will know within the hour when that [order] is coming, how it's going to be shipped, and you'll have the tracking numbers."

In the end, it's all about visibility and error reduction, Burnett says, adding that expediting the procurement process alone is reason enough to get on board with EDI.

"If you're doing manual processing, you definitely have delays and costs that aren't there with electronic transactions," Burnett says.

Most of Dayco's automotive aftermarket orders are processed electronically, through traditional EDI programs as well as proprietary and cloud-based systems. Burnett says the division processes less than 15 percent of order lines manually.

"Enough to support a customer service group of five, who perform other internal services as well" he explains. "There are so many opportunities out there to make this easier, but there are often technology hurdles that are too great for smaller businesses to jump. Therefore, third-party EDI service providers and cloud-based applications are often an attractive alternative."

Les Precht, EDI coordinator for automotive parts manufacturer Mahle, agrees. Like other suppliers, Mahle uses a combination of EDI programs and approaches, including traditional systems in which the company does its own mapping. Some customers use cloud-based programs, some are still using one-way proprietary systems and still others prefer to place

orders through Mahle's newly developed proprietary Web ordering system — not true EDI, but an electronic approach that many customers are comfortable with for both regular and special orders.

He says customers using the cloud-based Super Spec program have been particularly easy to transition to Mahle's EDI system.

“In the aftermarket it's a little bit slow going to get your customers on board [with EDI],” says Precht. “But they seem to be getting with the program now. It works well with the Super Spec.”

Precht adds that cloud-based programs are particularly helpful to distributors because of the vendor-funded model that drives much of EDI adoption in distribution sectors. Although shared-cost programs are emerging, suppliers shoulder most of the financial burden when implementing industry-driven EDI programs — an extra benefit to distributors when you consider the lower cost of cloud-based versus traditional EDI programs. The idea, of course, is that suppliers stand to gain considerable savings by streamlining the procurement process across their entire distribution base.

Precht agrees that regardless of the system, electronic business has helped drive efficiency and, consequently, cost savings for Mahle.

“We've reduced our customer service staff by several people over the last three or four years — through attrition — based on a combination of our Web ordering system and EDI,” Precht explains. “When [distributors] get on board with us, they can keep their inventory at a minimum [because] most of our orders are turned around the same day or within two days. And there are no keying errors — you're going to get the part that you ordered.”

“It's been a tough trip getting people on board,” Precht adds. “But it's gotten a lot better with technology.”

Streamlining the Special Order Process

Placing inventory information in the cloud is probably one of the greatest advantages of SaaS technology for electronic transactions, according to Parts Wholesalers' Agather. It's not unusual for automotive aftermarket distributors to place dozens of special orders each day — all of which must be handled manually, as they fall outside of the standard EDI process. And although many vendors have developed Web-based programs that distributors can use to automate a portion of the process, it can be cumbersome and time-consuming for distributors to learn and navigate each one of their vendor's systems — especially in situations where they need to get an answer to the customer quickly.

“I've always felt that it would be great to have a centralized way to order all parts from various vendors. It makes a lot of sense,” says Agather, pointing to the additional time it takes to pick up the phone or navigate a maze of Web sites while a customer waits to see if you can get the part they need. Even worse, if it takes too long to get an answer, the distributor risks losing the sale as the customer gives up and goes elsewhere for the product.

“It makes sense to have one consistent portal that is the same from vendor to vendor,” Agather says. “Having a single interface makes it easier.”

Conclusion

Technology is driving big changes in the business-to-business world, especially as business becomes more complex and companies of all kinds continue to look for ways to simplify and streamline their operations. To that end, Software-as-a-Service EDI solutions can help distributors and suppliers realize time, labor and cost savings while promoting a smoother flow of products through the supply channel. Specifically, moving beyond traditional EDI into the cloud can

- Create a one-to-many relationship in which distributors can create an electronic trading map one time and use it over and over again with multiple suppliers
- Translate multiple trading partner “languages” so that all parties can access and use key business documents — regardless of their business system or preferred format
- Create a central repository for inventory availability, speeding the time it takes to locate special-order items and ensuring the sale for both the distributor and the supplier
- Streamline your procurement process, reducing costs in purchasing as well as customer service, receiving and accounts payable.

EDI makes good business sense. Simplifying EDI so that you can connect with more trading partners makes even better business sense.

About AASA

AASA (www.aftermarketsuppliers.org) exclusively serves manufacturers of aftermarket components, tools and equipment, and related products. It is a recognized industry change agent – promoting a collaborative industry environment, providing a forum to address issues and serving as a valued resource for members. AASA is an affiliate of the Motor & Equipment Manufacturers Association (MEMA). “AASA, The Voice for the Automotive Aftermarket Supplier Industry”

About AASA Technology Council

The AASA Technology Council is a peer council of the Automotive Aftermarket Suppliers Association (AASA) and provides a forum for networking and the exchange of best practices focusing on current and emerging technologies that support members’ efforts to reduce costs and improve efficiencies.

About GCommerce

Founded in 2000, GCommerce is a leading provider of Software-as-a-Service (SaaS) procurement solutions designed to streamline distribution supply chain operations. Our connectivity solutions facilitate real-time exchange of documents within the purchasing cycle between incompatible business systems and technologies, enabling firms to improve revenue, operational efficiencies, and profitability.

As part of its mission to streamline the procurement cycle, GCommerce has created the Virtual Inventory Cloud (VIC), a system designed to speed up and automate the special order process. VIC is a central repository for suppliers’ inventory availability, and distributors can access it through a Web portal or directly from their IT system. Vendors either send their inventory information directly to VIC or allow their inventory to be searched via an Internet Parts Ordering standard in a real-time query from VIC to the vendor. Either way, distributors quickly secure the information they need to tell the customer when the part will be available. Only trading partners with established business relationships can share inventory information through VIC.

Parts Wholesalers Inc. was one of the first distributors to use VIC, and company CIO Paul Agather agrees that it is one more step toward a streamlined supply channel.

“I want to get away from things that take extra time and [incur extra costs],” explains Agather. “By using VIC, we’re trying to get the integration to where it keeps us EDI compliant. I want 100 percent of my invoices and ASNs electronically, but every time we pick up the phone, it breaks up the process.”

To Learn more, contact GCommerce

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