



GCommerce

Beyond EDI:

**Leverage the cloud to improve
electronic business transactions**

Connect with more suppliers, reduce transaction costs and grow your business with an EDI solution that puts everyone on the same page.

Executive Summary

This white paper describes how Software-as-a-Service (SaaS) EDI:

- Eliminates the need to completely re-create each EDI relationship with each supplier from scratch
- 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

Electronic data interchange (EDI) streamlines the procurement process between distributors and their suppliers. EDI automates the transaction process, allowing both parties to conduct business system-to-system, eliminating the exchange of paper documents and speeding the flow of information and reducing costs.

Traditional EDI works well in a one-to-one environment, but it can become cumbersome, time-consuming and expensive to implement on a larger scale with multiple trading partners. Traditional EDI requires hardware and software, as well as people to implement and maintain it. As a result, the investment required to implement a traditional EDI solution is often too high for many distributors and suppliers.

But it doesn’t have to be that way. Today, distributors can move beyond traditional EDI to a cloud-based solution that simplifies the process, allowing them to more easily and cost-effectively connect with more suppliers.

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.

Industrial distributors sit in the middle of their trading partners, ordering the products their suppliers produce, stocking them in their own warehouses, and then packaging them for distribution to end-users. For years, distributors managed this process manually, producing a purchase order that was faxed or phoned to the supplier, and then waiting for the shipment to arrive and a paper invoice mailed to them.

But as business grows, so does the number of suppliers and customers that distributors sit between. 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 Electronic Data Interchange (EDI) has filled that role.

But traditional EDI has proven to be cumbersome, time-consuming and expensive for many companies. Because each supplier uses a different business system — essentially speaking its own language — each EDI relationship is a unique, one-to-one event that distributors must create, track and manage separately. And traditional EDI requires hardware, software and people to manage it, investments that may put EDI out of reach for some distributors.

It doesn't have to be that way. The solution is finding a system that makes EDI easy, painless and inexpensive.

"It's about adopting a standard, and consistency is key," says Rick Main, executive vice president of sales for Iowa-based SaaS provider GCommerce. Main, a 25-year distribution veteran who joined GCommerce 10 years ago, emphasizes that speeding up EDI adoption among trading partners is more about process than it is about technology, and he advises distributors and suppliers to take that into consideration when turning to an outside vendor for an EDI solution.

"Most companies focus on the technology. You can build the greatest technology in the world, but if no one adopts it, it's worth nothing," Main says.

Streamlining the Process

Getting on board with a standard process for conducting EDI makes sense no matter how big your company or how sophisticated your information technology (IT) system. Finding a simplified, consistent way to connect with more suppliers electronically will:

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Save time, effort and money

Even if you have successful EDI relationships with a few trading partners, chances are you have multiple people in multiple locations managing your many other supplier relationships and matching purchase orders to packing slips to invoices in order to make sure your procurement cycle is on track. Consolidating and automating these tasks allows you to centralize the function, reducing your labor costs and freeing up employees to focus on other tasks.

Simplify the procurement process for everyone

The entire industrial supply chain runs more efficiently when more distributors and their suppliers are connected electronically. Transactions are completed in less time, accuracy improves, and each party can spend more time on their core competencies.

Level the playing field for smaller companies

Small distributors and manufacturers are often at the greatest disadvantage when it comes to EDI because they lack the resources to invest in a solution. Finding an outside partner who can take that pain away is the key to success for smaller companies. Software-as-a-Service solutions accomplish that goal and take it one step further by creating the “one-to-many” relationship that makes it easier for distributors to connect with more suppliers.

Solutions that Work

GCommerce’s solutions offer a pointed example of how cloud-based technology is making it easier for trading partners to conduct EDI. The company makes it easy for trading partners to connect and share information electronically by managing the electronic transaction process with a combination of cloud-based technology solutions and project management programs. As Main explains, GCommerce gets trading partners working better, faster and more efficiently by acting as both a translator and facilitator.

“We sit in the middle of all parties — distributors, vendors, buying groups and software providers — and our role is to facilitate adoption of e-business standards and industry best practices,” says Main. “We’re translating everything and making sure the process is consistent. We’re both the navigation system and the guardrails on the road, helping trading partners to arrive safely at their destination in the shortest possible time.”

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Several tools help GCommerce accomplish these goals:

Internet Data Exchange

Internet Data Exchange (IDE) uses Web-based technology to streamline transactions. Distributors save money upfront because there is no hardware or software to purchase, install and maintain. But the key benefit of this program is IDE's role as *translator*. Trading partners can exchange documents electronically regardless of their business systems or document formats. Documents are received from one trading partner, translated into the format of the receiver, and sent to the other trading partner for receipt directly into their system — all in a secure, automated environment.

“One of the great attractions of this system is that it can translate everything from a fax to an XML file,” says Robert Blair, retired president of CARQUEST, an automotive aftermarket distributor that adopted the GCommerce solution in 2006. “The most basic, simple system can be accommodated.”

This means distributors can leverage their existing investment in EDI while bringing new suppliers into the fold regardless of the way they want to communicate or the format they want to use. And because information is exchanged via the Internet, there are no per-transaction or kilocharacter charges.

Super Spec

Because different trading partners have different data requirements and specifications, traditional EDI requires a unique map for each buyer/seller relationship. It also means that the distributor must manage all of these relationships separately.

Super Spec streamlines the process by acting as a master blueprint, taking all the 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 on next page)** IDE 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.

Roughly 5% of a distributor's vendor base accounts for 80% of its sales, notes Gord Duncan, retired president of Kinacor, a large Canadian distributor of industrial and power transmission products. The remaining 95% of the distributor's vendor base often consists of thousands of smaller manufacturers representing the other 20%



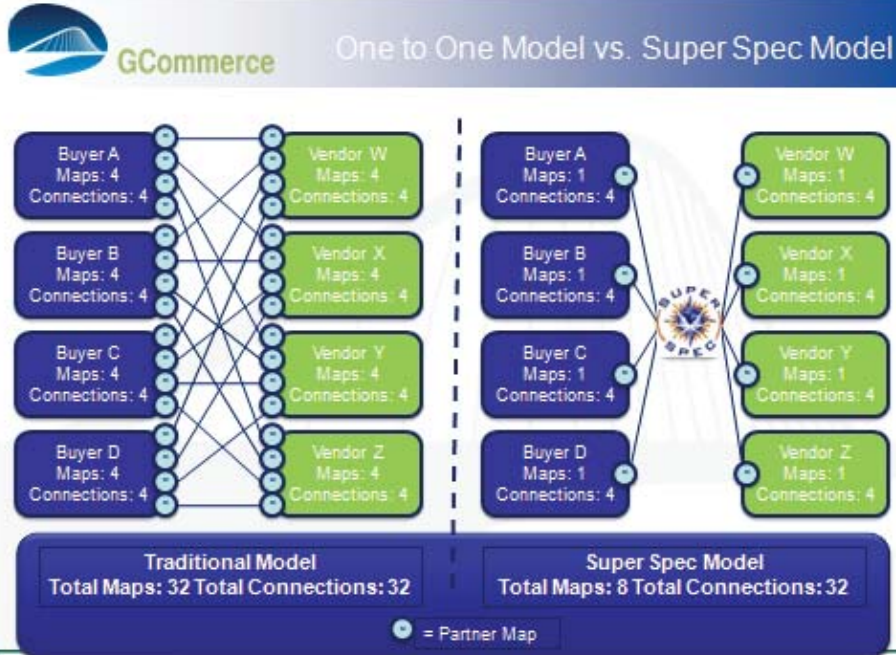


Exhibit 1 Super Spec reduces the number of electronic trading maps between distributors and suppliers, saving time, effort and cost — and making it easier for more trading partners to connect electronically.

of sales. Forging an easier, more streamlined connection to that 20% represents an incredible growth opportunity, Duncan explains.

“Any distributor worth their salt is already connected with their main suppliers,” Duncan says. “It’s the ability to connect with all these other little guys that is interesting. Twenty percent is a significant percentage — distributors cannot afford to ignore that. The challenge is to find a better way to transact with these vendors. It’s 20% of your business that could grow.”

Match3

One of the biggest headaches before implementing EDI at CARQUEST was the time and effort employees spent matching purchase orders to receipts, packing slips and invoices, according to Blair. There were one or two employees at each of 35 distribution centers handling these routine tasks.

“It was a great duplication of effort and a large amount of cost,” Blair explains. “EDI was the natural answer, and GCommerce provided the bridge we needed to get everyone connected electronically much more expeditiously and efficiently.”

That bridge is Match3, a program that allows distributors to process all of the information available from their suppliers — even if their

systems are not fully EDI-capable. Specifically, Match3 allows distributors to:

- Send an electronic purchase order directly from their systems or upload POs
- 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, ship notices and invoices in one location
- 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.

Virtual Inventory Cloud

With ever-increasing SKU counts, it is impossible for distributors to have every part in stock at all times. Distributors must take numerous manual steps to find non-stock parts for customers: phone calls, website searches, emails, faxes and so on. In the time it takes to do all this, customers often leave or find another source.

GCommerce introduced the Virtual Inventory Cloud to solve this problem. VIC is a central repository for suppliers' inventory availability, and distributors can access it through a Web portal or directly from their IT systems. Vendors can send their inventory information directly to VIC or allow their inventory to be searched via an Internet Parts Ordering standard in a real-time. Either way, distributors quickly secure the information they need to tell customers when parts will be available. Only trading partners with established business relationships can share inventory information through VIC.

How EDI in the Cloud Works for You

The reason many industry-developed electronic trading standards don't work is that no one is enforcing them, Main says. Because it is an independent company sitting in the middle of all trading partners, GCommerce can ensure the consistent flow of information back and forth.

"The reason distributors and suppliers are doing limited EDI transactions is that no one is working on the adoption piece," says

"EDI was the natural answer, and GCommerce provided the bridge we needed to get everyone connected electronically much more expeditiously and efficiently."

Main. “No one is working through the many issues that either party may have with the technology.”

It’s important to find a partner who can step in and take over the “messy stuff” involved with EDI, such as:

- Defining the data elements for distributors and their suppliers (working with IT system providers)
- Determining the appropriate EDI standard and customizing it to the distributor and its suppliers’ requirements (working with IT system providers, as well as suppliers)
- Gathering and tracking contact information for key contacts at supplier locations
- Prioritizing distributors’ lists of suppliers
- Keeping track of each supplier’s status
- Setting up communication protocol for distributors and their suppliers (working with the suppliers and distributors’ IT system providers)
- Testing communication and documents with the suppliers
- Integrating EDI data into the distributors’ systems (working with IT system providers)

“Companies that have implemented the Super Spec have already saved hundreds of thousands of dollars and enjoy a tremendous advantage with EDI.”

In the Real World

After years of developing the Super Spec for automotive aftermarket distributors and their suppliers, GCommerce donated the standard to the industry as a way to promote adoption of EDI and smooth the flow of information industry-wide. In 2010, the Automotive Aftermarket Industry Association endorsed the Super Spec as an industry best practice for EDI, and today the automotive aftermarket Super Spec is an open specification available to any party at no cost.

“Electronic document exchange is a great way to improve supply chain and business efficiency. But it loses some of its appeal when the set-up and configurations are time-consuming and expensive,” says Scott Luckett, vice president, technology standards for AAIA. “Companies that have implemented the Super Spec have already saved hundreds of thousands of dollars and enjoy a tremendous advantage with EDI.”

Auto industry tool and equipment wholesaler Integrated Supply



Network is a case in point. The company was looking to increase productivity by automating its time-consuming, manual accounts payable system. ISN chose to implement the Super Spec solution. ISN's system now creates computer records for ISN and its vendors using common data points that automatically reconcile each transaction. Sixty percent of ISN's reconciliations are now completed electronically, reducing the time spent on each paper based reconciliation from about 10 minutes down to 30 seconds. In total, Super Spec has saved ISN 300 hours per month, or the equivalent of nearly two full-time employees who spent time reconciling transactions, the company says.

What's more, when ISN takes on new vendors who use Super Spec, it takes 10 minutes to map the transaction, a process that can take two days for companies that don't use it.

"Our need for more staff and additional resources hasn't increased, but our business has grown," says Pete Weber, managing partner at ISN. "With Super Spec standardizing the way we connect with vendors, we have been able to free up employees to focus on core business strategy."

In a similar example, Aftermarket Auto Parts Alliance Inc. (Alliance), one of the largest auto parts distribution and marketing organizations in the world, was seeking a way to streamline ordering for its 53 shareholder buyers and 211 vendors. Because there was little in common across the members' and vendors' systems — and with very few having EDI capabilities — most orders were processed manually on paper-based systems. Complex product lines with thousands of SKUs and long part numbers made manual entry prone to error. And a lack of return information, such as order acknowledgement and advanced shipping notices, made orders difficult to track.

Alliance leaders knew that moving to an electronic system would save time and money by standardizing communication and reducing errors. Like ISN, the Alliance decided to use the Super Spec to streamline the process.

"Super Spec is a valuable turnkey solution for us, our members and vendors," says Dale Hopkins, vice president of information technology at the Alliance. "It's benefitted everyone by reducing costs and errors while speeding up our whole process."

Since implementing the common spec language, Alliance members and vendors have seen a reduction in order errors and turnaround time on processing. Increased ease of tracking order confirmations and shipping notices also has led to smoother transactions between Alliance members and vendors. Invoices are electronically checked against purchase orders to ensure accuracy, and overall staff time spent



processing transactions has been cut in half.

What's more, Alliance leaders say that manually processing orders used to cost the organization \$8 per order on average. The new system brought costs down to around \$1.80 per order.

Conclusion

Proponents of cloud-based EDI solutions say the improvements in the automotive aftermarket industry can easily be applied to other areas — especially industrial distribution.

“The jargon may be different and the margins may be different, but if it's a big box and it's got a number on it, it's still got to be shipped and received. Transactionally, I don't see any difference,” Blair says. “Every industry has to evolve, become more efficient and find ways to take cost out of doing business.”

Duncan agrees. “Because of the plethora of part numbers [in industrial distribution], there are many cases in which distributors are issuing purchase orders for very small quantities and values — and the cost to issue a purchase order or process a payment is very expensive,” he says. “All distributors continually have to find ways to become more efficient in handling these issues.”

To that end, a Software-as-a-Service EDI solution can help distributors 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 the one-to-many relationship that you get with the Super Spec, 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 systems or preferred formats
- Create a central repository for inventory availability, speeding the time it takes to locate non-stock or hard-to-find 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 GCommerce

Founded in 2000, GCommerce is a leading provider of Software-as-a-Service (SaaS) and Cloud-based 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.

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