

# TECHTalk

BY TOM GUZIK

## Justifying going electronic

Automating just one business transaction can make a big difference in your bottom line

FINDING WAYS TO GO ELECTRONIC may seem like an expensive and time-consuming undertaking for small- to mid-size distributors with limited staff and resources, especially in today's economy. Those companies that conduct some or all of their business transactions using manual or paper-based processes should re-evaluate ways to go electronic before they are unlinked from the supply chain.

When asked why they still use manual processes, a popular answer for many companies is "we are not large enough to justify the costs or reap the benefits of electronic processes."

Now look at it from the perspective of suppliers that primarily conduct their business by utilizing automated electronic transactions (for example, electronic data interchange, or EDI). Many of them conduct business with hundreds of distributors across the globe; one particular distributor may just be a pinpoint on their customer map. When these companies evaluate their strategic plans, they may ask themselves, "are sales from this distributor significant enough to justify the cost of doing business?"

Industrial and retail markets provide examples of the latter way of thinking. For example, Rockwell Automation requires its distributors to export product and pricing data from a single electronic source to increase efficiencies and better ensure data accuracy. In the retail industry, Lowe's requires all of its manufacturers to utilize GS1's GDSN data synchronization

standards. As the benefits of automating business processes in the supply chain continue to strengthen, it is certain this trend will continue. Now is the time to go electronic if your business wants to compete and trade on a global or even national scale.



It is easier and more affordable than ever to purchase software and services that can be customized to a business's needs and resources. A variety of tools can translate data into EDI using a simple standardized format, allowing a business to conduct EDI without investing in an in-house EDI system. In the end, the company saves time and money—and its suppliers perceive the firm as a larger, more robust distributorship.

If outsourcing electronic processes is still too costly or time-consuming, one option is to team up with industry peers to mitigate the cost. Start by getting involved in industry associations, building stronger trading partner relationships with suppliers, and collaborating with friendly competitors.

Recently, four friendly competitors from Buffalo, N.Y., used teamwork and collaboration to establish an electronic relationship with their suppliers.

The companies worked together to reach electrical industry buying group IMARK's highest e-commerce honor—gold tier. They have since experienced quicker order fulfillment and improved customer service.

Going electronic is more than a process change; in many cases it is a cultural change. The best way to begin an electronic initiative is to prioritize based on the processes that are most commonly used, work on automating those processes and continue to evolve from there.

For example, many distributors transact purchase orders and invoices regularly. An electrical distributor from Illinois decreased its average order error rate on vendor invoices from approximately 7 percent to 8 percent to 1 percent to 2 percent with its most valued vendors after it automated the invoicing process. At an average error rate of 6 percent, the distributor saved \$300 (\$50 per invoice times six invoices) per every 100 invoices. Taking a small step in automating one business transaction can make a big difference in the bottom line.

Every company is unique, as is every route to increased supply chain automation, but each route leads to the same end result—stronger trading partner relationships, cost reductions and time savings.

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