

Success Story:

Eaton Electrical Group

Presenting the impact that an Internet-based document exchange network, such as the Industry Data Exchange (IDX) can have on an electrical manufacturer's business processes.

Background

Eaton Corporation is a diversified industrial manufacturer with 2004 sales of \$9.8 billion. Eaton is a global leader in electrical systems and components for power quality, distribution and control; fluid power systems and services for industrial, mobile and aircraft equipment; intelligent truck drivetrain systems for safety and fuel economy; and automotive engine air management systems, powertrain solutions and specialty controls for performance, fuel economy and safety. Eaton has 56,000 employees and sells products to customers in more than 125 countries. For more information, visit www.eaton.com.

Challenge

Invest in a cost-effective solution that would allow Eaton Electrical to be completely independent with their pricing and document exchange services.

Eaton Electrical was in search of an innovative approach to their traditional Value Added Network (VAN), one that would place them in a competitive and independent position. After investigating options, Eaton saw the bright possibilities of the Industry Data Exchange (IDX). In 2002, after 10 years with their provider and following an investment in the industry-owned Industry Data Exchange Association (IDEA), Eaton made the switch.

Eaton needed their VAN capabilities to be on par with the company's own core competencies. Their former VAN did not allow them to be as competitive as possible, nor did it provide them with the liberty to manage their own business documents, purchase orders and transactions.

Not having control of your business document process is an evident roadblock. While VANs have come along way since Eaton's adoption 10 years ago, Eaton provided a plausible interest in migrating to a less-expensive network that increased productivity so much that the company was able to bring all translation and mapping services and personnel in-house. IDX would go on to eliminate the complexities, errors and SPA troubles that can plague transaction and invoicing processes.

"IDX provided better visibility and gave Eaton the ability to track documents and do Electronic Data Interchange (EDI) in real-time with EDI-INT and the AS2 model. Plus, there was a huge difference in the bill," said Brian Zimick, Manager, IT Global Sales, Solutions & Integration, Eaton Electrical.

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- ▲ **Average Annual Volume:**
812,000 Kilo characters
- ▲ **Most Traded Documents:**
810, 844, 850, 855, 997
- ▲ **Supply Chain:** Approximately 400 active EDI Trading Partners on IDX; many other trading partners may not have IDX as their VAN/network service
- ▲ **ERP System:** Vista (in-house mainframe system for customer order processing); MAPICS (purchasing/planning activities)
- ▲ **IDX User since:** 2002
- ▲ **Overall Savings:** \$1.25M

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Networks that share the same routing methodology.

With Eaton's investment came strong advocacy of the industry initiative behind IDEA and IDX. Corporate saw a major value in doing so and felt this was also a positive venture into the electrical industry.

"We base these kinds of decisions on how well they will benefit our distributors and trading partners," said Zimick.

To better serve its distributors, Eaton Electrical needed a way to streamline their pricing services and EDI transactions. "Eaton now has more options and flexibility," said Zimick. Eaton was well aware of the challenge they faced. In order to be fully independent and rid of their solution provider they had to bring the responsibility in-house; but they had no current in-house expertise –wherein they purchased Mercator, translation software that would facilitate this task.

Solution

Upgrade to an Internet based communications hub that will remove the nuisances of disks, CDs, emails and faxes.

Industry Data Exchange (IDX)

The IDX is a 24x7x365 Internet based document exchange that enables customers to exchange business documents securely and error free with their trading partners worldwide. Using the Internet as the backbone, along with qualified application standards and protocols, IDX facilitates business communications through its network core, its Value Added Network (VAN) gateway and direct connections with other EDI-INT exchanges.



The IDX also provides a virtual pipeline to the Industry Data Warehouse (IDW2) where manufacturers can upload product and pricing data and distributors and other authorized users can download that manufacturer data. IDX was developed to reduce business-to-business (B2B) document transport costs as well as the costs associated with uploading and downloading IDW2 files over traditional Value Added Networks (VANs). In doing so, IDX has become an extremely cost-effective way to conduct business within the electrical industry. Furthermore, IDX is capable of communicating with over 300,000 businesses that are not taking advantage of the IDX and are using other VAN or network services.

Result

In control.

Once Eaton implemented IDX and brought all their trading partners on board they encountered their first return on investment with the next month's bill. Their usual invoice of \$40,000 per month now read \$24,000 for their first month. This amount decreased later on that year to \$8,000 per month. This put \$384,000 annually back to their bottom line. Considering that 832 delivery to the IDW2 (which is free), "this is the real cost-savings. Considering how many price changes/updates that have occurred in the last year, you can easily double this number," said Zimick.

Fast-forward three years to Eaton's complete savings of over \$1.25M – care of IDX.

Since Eaton's investment in IDEA they have continued to feel that the services were well worth the money. "It's great for the industry. Eaton has invested in a lot of companies over time and not all of them pan out, but this investment has. The savings delivered by IDX versus our previous VAN service has already paid us back on our investment," said Zimick.

Eaton's eCommerce staff dedicates an average 10-15 logins per week (approximately four hours total) to track down a document or lookup a trading partner's ID. These projects tend to vary, but all revolve around using EDI with their trading partners. "When adding a new trading partner to EDI, we'll exchange test documents through IDX (generally a 1-2 week process to verify mapping/processing). Once testing is complete, both trading partners will migrate their process using their production ID to begin sending and receiving documents," said Alec Nevalainen, Unix Application Administrator, Eaton Electrical. "This is a huge time savings."

"The IDX is very flexible and Eaton does not have to make any extra gyrations – IDEA is out of that loop and in turn, gets Eaton out of that loop as well. We are also able to send supplier transactions through the network," says Zimick. "Use of EDI really makes the turnaround time quick and our trading partners love that."

When Eaton switched to IDX, they had to completely change their EDI communications architecture. They implemented an AS2 product that allowed them to send and receive documents on-demand to and from IDX. "This continuously allows us to process orders and send acknowledgments with very quick turnaround times. Providing fast and reliable document exchange with trading partners is a high priority at Eaton Electrical," said Nevalainen.

"The Activant IDX help desk provides fast, reliable, and knowledgeable support. Support issues are often answered in minutes rather than hours or days," said Nevalainen. The Eaton project team also liked that IDX already had some of their key distributors actively trading on the IDX network. The IT staff felt that IDX had an edge in technology and service for distributors.

In 2002, Eaton Electrical selected IDX to enable them and their top distributors to trade documents electronically, inexpensively and easily. A carefully scheduled program development plan was created to support the supply chain integration campaign, training and testing phases.

Eaton now trades electronically with over 400 trading partners and has saved over \$1.25M since 2002 implementation.

"A major highlight of our IDX usage came with the ability to provide an AS2 gateway service (no extra cost) to high profile trading partners. We've essentially outsourced our AS2 setup/testing process to IDX. There have been several instances where large trading partners required an AS2 connection with aggressive deadlines and IDX was able to meet those with time to spare"

Alec Nevalainen
Unix Application Administrator,
Eaton Electrical

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IDEA's comprehensive eCommerce portfolio includes solutions that maximize supply network efficiencies no matter your company's size or industry, allowing you to conduct business electronically with 100 percent of your suppliers, customers and strategic partners.

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