

Data in a Flash: Utilizing EDI

Q: Where did EDI come from?

HEINE: Electronic Data Interchange (EDI) has been used in various forms since the 1960s. Today, all Fortune 1000 companies use EDI, as do millions of other businesses. In the transportation field, big retailers led the way in implementing EDI. In the mid 1980s, EDI standards emerged, and each



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type of transaction was given a standard format and identifying number. These standards allow all computers to talk to all other computers in a predictable way. Shipment information can be electronically sent to carriers, carriers can send back pickup and delivery information, and carriers can bill shippers electronically.

Q: If all EDI formats are the same, why do my EDIs have to be customized for each trading partner?

HEINE: Each trading partner can utilize different variations of the same EDI formats. It's kind of like cars: all cars have four wheels, an engine, windows, windshield wipers, and other basic parts. After that, cars can be much different from one another. When integrating, having one basic format is a big head start.

Q: If there are standards, why does EDI cost so much to setup?

HEINE: Each EDI partner needs to have protocols agreed upon, mailboxes created and setup, then test transmissions sent, received, and approved. Computer geeks usually want to get paid to do these things.

Q: What about EDI transmission fees?

HEINE: Today, most companies use direct FTP to transmit EDI, which is free. If you use a value added network (VAN) like KleinSchmidt, they charge you fees based on the size of your transmissions.

Q: What exactly does a VAN do?

HEINE: A VAN acts as a post office for EDI shipments. You send transmissions to them, and your partners pick up their transmissions there. Your partners send things to you, and you pick them up there. If you are a large company, such as Walmart, it's easier to have one place to send or pickup transmissions.

Q: How can I benefit from EDI?

HEINE: EDI helps you in different ways. First by saving labor: Manual transactions take your employees' time for order entry, phone calls, and faxes. Compared to paying employees' salary to do repetitive tasks, EDI is cheap. EDI can reduce the amount of labor per shipment by 98 percent.

Also, EDI ties you to your customers and vendors, cementing your place in the supply chain. If you are a 3PL, you can lock yourself into position. If you are a shipper, you don't need to pay employees to contact your vendors for routine orders. EDI also reduces data entry errors, which is valuable because in freight, little mistakes can sometimes become very costly.

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