

The Electronic Supply Chain Streamlines

BY MARK KALMAN

The rules of the distribution supply chain have changed dramatically, particularly for smaller manufacturers and distributors. In the last several years, small and medium sized businesses (SMBs) have had increasing opportunities of selling products and services to large nationwide retail chains and department stores. However, with opportunities come hurdles. Hurdles imposed by a global marketplace and more demand on vendors by their large customers—demands that find resolve through advancements in technology.

The key to success in today's supply chain is in the use of technology that supports streamlining processes, visibility, and collaboration. At the core of this eSupply Chain, we find Electronic Data Interchange (EDI). EDI has been at the root of the eSupply Chain for more than three decades and is the concept used between buyers and sellers to electronically (without paperwork) exchange business critical documents from computer to computer.

EDI has been misrepresented as an outdated technology destined to die off and be replaced by something more glamorous, such as XML. When we understand that EDI is a concept of exchanging data and not necessarily the technology used to exchange the data, we can begin to understand why EDI is crucial and in fact evolving. It remains and grows as a primary means by which all data is exchanged between two disparate parties.

Today, eSupply Chains are administered as a result of large retailers mandating its use. It is what's referred to as a Hub-Spoke relationship, whereby small or medium sized vendors (typically spokes) rely on large retailers (typically hubs) for the business. It becomes a matter of the vendors needing the retailers more (and the retailers knowing it), and therefore large retailers establish the rules by which the game of the eSupply Chain are played. In most cases, smaller vendors who cannot or will not comply with the rules of large retailers will not remain vendors for long.

To aid SMBs with their eSupply Chain requirements, solution providers launched web-form solutions, enabling SMBs via an Internet browser to meet retailer EDI requirements. The

good news is that web-forms tend to shield SMBs from the confusing technology commonly associated with EDI. The bad news is web-forms tend to be very cumbersome to use. As an example, web-forms tend to be labor intensive and effective for processing up to 500 orders per month. SMBs that are trying to meet the requirements of their large retailers can easily spend a disproportionate amount of time trying to satisfy them.

The result is that an SMB's smaller retailers, who have been a crucial part of the company's growth, may feel ignored and take their business elsewhere.

There is hope however. eSupply Chain solution providers are making applications available for SMBs via a software as a service model (SaaS). Unlike web-forms, these applications tend to offer features commonly found in expensive enterprise software that can cost tens if not hundreds of thousands of dollars, for as little as \$50 per month to start. SaaS applications incorporate aggressive batch processing power and can support upwards of 30,000 documents per month. What SMBs typically accomplish in a week by using a web-form application, they accomplish in a day by using a SaaS application. SaaS eSupply Chain applications are also incorporating (or starting to incorporate) integration of disparate systems such as QuickBooks accounting software, real-time collaboration between buyers and sellers, and an increased visibility into supply chain status. All components which are becoming



crucial for eSupply Chain survival.

Data synchronization (also referred to as Data Sync) is seen as the next major change in managing vendors' products. Data Sync has been created to simplify the concept of product catalogs by providing a single portal in which items can be located, instead of managing multiple catalogs as dictated by large retailers. Evolving technology will ultimately benefit suppliers, but may pose greater short-term challenges for smaller firms. For example, obtaining retailer cooperation and managing two times the attributes of items currently being entered into product catalogs.

Another emerging and exciting technology of the eSupply Chain is RFID (Remote Frequency

Processes, Ensures Collaboration

Identification). In its hype cycle of evolution, RFID is being indoctrinated as a means of replacing barcode scanning labels on cartons and pallets being shipped to large retailers' warehousing facilities. RFID functions much like the EZPass we use in our cars, and instead of warehouses having to scan a barcode on labels on boxes, the boxes transmit a signal upon being received to let warehouse personnel know that the box has arrived and what quantities of each product can be found inside.

RFID becomes very exciting when combined with Data Sync. Imagine shipping several hundred cartons of products to a large customer, and within each carton every single product is uniquely identified with its own serial number and its own RFID tag. Upon receipt of the cartons, a single push of the cartons through a receiver (similar to the way we drive through an EZPass tollbooth), and every single product is checked in and confirmed as received. Never again will SMBs (or vendors of any size for that matter) have to worry about large customers claiming to receive

less merchandise than what was expected on a shipment. RFID has already peaked the interest of savvy local "mom and pop" business owners. The concept of having an RFID receiver in the doorway of the local store is quite appealing. When FedEx walks in with a bunch of boxes, a signal is transmitted advising what products are being delivered, inclusive of electronically updating inventory applications.

The pressures are everywhere, and they seemingly never let up. If you're a vendor and your goal is to sell into the larger retailer market, here are a few considerations you should take into account as you move forward:

Is this the right path? The prospect of doing business with market leaders is enticing, and you can certainly make the case that this step will help take your business to the next level. However, you need to accept the fact that you will have to do business their way, which if you are not careful can cost you time and money.

Be prepared for large volume. Make certain that your method of shipping can handle the volume associated with large retail chains. Failure to ship on time can lead to expensive offset penalties. Furthermore your smaller customers,

the ones that helped you get to where you are, may become frustrated and feel neglected if you become overwhelmed.

Become educated. It is important to be familiar with eSupply Chain lingo. Know the concepts surrounding EDI and RFID. It is important to be prepared so that when the right buyer comes knocking on your door, you appear to understand what EDI is. Being prepared with knowledge will give you a competitive advantage.

The trend is clear: eSupply Chain with EDI at the core is becoming ubiquitous. You, your customers, your suppliers, and your competitors are being forced to use EDI and its various permutations to do business, at an increasing rate. Within the next 10 years, most companies will have no choice but to incorporate eSupply Chain tools and applications. Large successful companies already understand the benefits of EDI and eSupply Chain applications. Plan wisely, as incorporating eSupply Chain tools is ultimately inevitable for everyone who wants to buy or sell.

Marc Kalman is the chief executive officer of eZCom Software Inc. Visit www.ezcomsoftware.com for more information.

COPPER & FIBER CABLING SYSTEMS THAT DELIVER TECHNOLOGY



New Construction & Retrofit

DataCat Media Designs And Installs
Superior Structured Cabling Systems
To Meet Your Office And Data Center Needs.



Our BICSI Certified Staff Will Insure
That Your Project Timeline Is Met
Within Your Financial Plan.



732-635-0170 • www.datacatmedia.net