

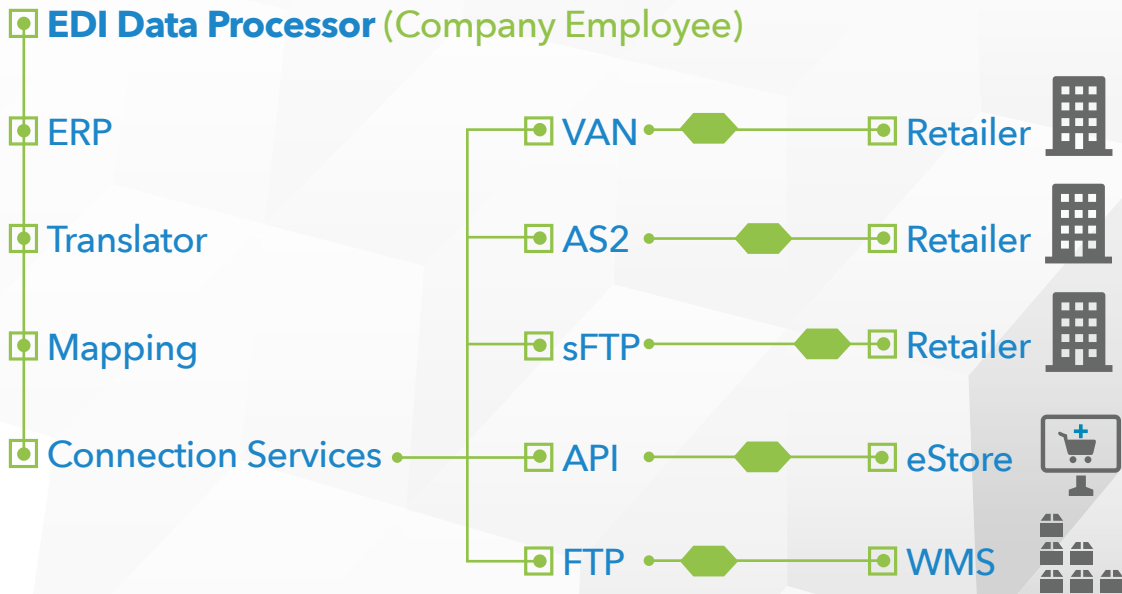


IN-HOUSE versus FULL-SERVICE EDI

The costs, technology needs, and required human expertise.

EDI IS COMPLEX. HERE'S WHAT IT TAKES.

When companies begin selling to retailers, they will be required to develop EDI (Electronic Data Interchange) capabilities in order to complete transactions. While EDI is a data format that creates efficiency, managing it well requires significant human expertise, powerful hardware, and robust software.



IN-HOUSE EDI: RISKS & REWARDS

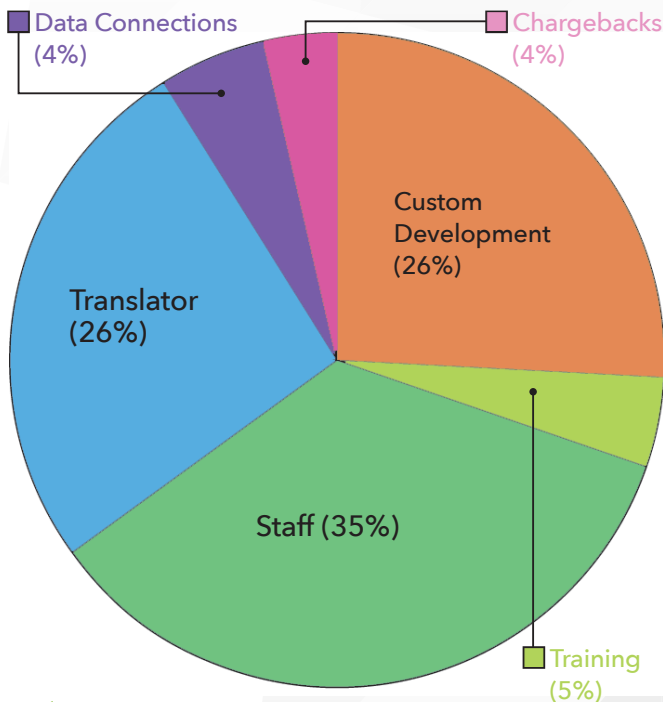
Companies of all sizes face a choice if they process EDI orders: use a full-service provider or take on the task with an in-house team.

When working with retailers, EDI is a critical piece of the relationship. Trading partners want seamless, error-free communication and order processing. Getting it right is important, and companies need to choose the approach that is right for their operation.

In-House EDI.

Instead of using an outside provider, some companies invest in an employee or a team of employees to manage EDI transactions. There is a perception that this approach provides an additional level of control.

In-House EDI Extra Costs



What is required?

Technology.

Managing EDI in-house requires an infrastructure investment. **Companies will need:**

- A translator—starts at around \$25,000 and can increase to \$150,000, depending upon need
- Data connections with retailers through a VAN or custom AS2 configuration—a VAN has data fees, and an AS2 can cost as much as \$25,000 to develop

Expertise.

Companies that elect to manage EDI in-house need to dedicate people to do it. That can entail moving staff to these roles, or hiring new personnel. **Challenges include:**

- Hiring and retaining a talented analyst or team of analysts to track retailer specifications and make system updates when they change—updates happen regularly
- Knowledge silos—if EDI team members are the holders of all the intelligence and become key elements in retailer relationships, companies risk serious upset if staff leaves
- Training and retention become critical
- As sales increase, companies must scale their EDI team, adding more staff and labor costs

IN-HOUSE EDI: RESPONSIBILITY & ACCOUNTABILITY

Portal management.

An in-house team will typically work through a different portal for each retail trading partner, creating complications and increasing the possibility of errors for the company.

Integration knowledge.

Large and mid-sized companies typically need to integrate EDI with a larger system or partner/provider—an ERP, accounting software, WMS, 3PL. This requires more expansive technical expertise.

Maintenance.

Companies that rely on an in-house EDI team will need to make regular upgrades to hardware and software.

There is also the question of accountability when mistakes occur. Companies that handle EDI in-house assume all the responsibility and must resolve issues themselves. Many also rely on a higher level of manual data entry by staff—this often compounds errors and creates chargebacks.

The amount of time and resources a company devotes to an in-house EDI operation is not easily quantified, but most underestimate the hours and dollars invested. As a company grows, the commitment inflates, often without any monitoring of overall costs. Mission creep becomes an issue.

***“Our biggest challenge?
The constant updating. And
chargebacks are always a concern.”***

FULL-SERVICE EDI: RISKS & REWARDS

After reviewing the initial and ongoing investment required for an effective in-house EDI operation, many companies will opt to hire a full-service provider. In addition to the utility of its software platform, it is important to evaluate the support staff and development team of the EDI provider.

When choosing a full-service EDI provider, companies should engage one that offers:

Robust, cloud-based software. Companies should be certain the provider's EDI software can be adapted to their work flow and offers the kind of flexibility that permits seamless system integrations.

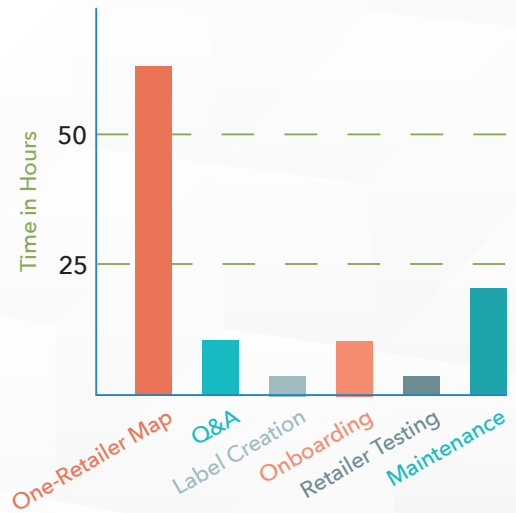
Specific and extensive human expertise. Companies that choose a full-service solution should expect their provider to be staffed with people who have spent years working in EDI—it is technical and challenging—and that this knowledge base is secure.

Customer support. EDI transactions are not uncomplicated. An outside vendor should have experts ready to resolve any issues. A dedicated, in-house customer support team that is staffed and trained by the provider is a crucial backstop.

Regular updating of retailer standards. A full-service provider should relieve the company of the need to constantly monitor changes made by their trading partners—a company that provides EDI services should have relationships and regular communication with a broad and vast spectrum of retailers.

EDI Implementation

Average Time to Complete One Setup



System integration capability.

A full-service EDI provider should have in-house developers who can integrate their software with the systems that a company relies on—an ERP, accounting software, WMS, or the operations of a 3PL provider—and with all kinds of eCommerce.

Accountability. When companies outsource tasks, certain responsibilities are shifted to the expert EDI provider. It is important to choose one with safeguards like built-in validation checks to prevent chargebacks, and 24/7 network monitoring.

An inclusive, short-term agreement. Companies should work with a full-service EDI provider that does not require the commitment of a long-term contract.

No hidden fees. Whether a company is charged a flat monthly rate or fees based on transaction volume, there should not be additional costs incurred for a basic VAN/AS2 configuration, or any other infrastructure investment.

Data integrity and security. Companies need to safeguard their data and be confident in the seamless transmission of it—a full-service provider must offer this protection.

Shipping services. As companies grow, shipping demands increase. A full-service EDI provider should offer solutions that ease the burden, including integration with major shipping providers for the seamless exchange of data, easy GS1-128 label creation and printing, as well as retailer-specific packing slips for drop shipping.

COMPARISON: IN-HOUSE VS. FULL-SERVICE EDI



REQUIREMENT



IN-HOUSE



FULL-SERVICE

| | | |
|---------------------------------|---|---|
| ■ Translation Hardware/software | \$750,000-\$400,000 investment, increasing as volume expands | Included |
| ■ Staff | Salaries of \$60,000-120,000, depending upon experience | Responsibility of provider |
| ■ Data connections | VAN has monthly fees, ASN requires \$25,000-250,000 | Included |
| ■ Integration | Staff required for implementation | Services available from provider |
| ■ Monitoring | Staff on-call plus investment in alert tools | Included |
| ■ Customer Support | Staff 100% responsible | Included |
| ■ Data Integrity | Monitor data flow and functional acknowledgments | Included |
| ■ Maintenance | Daily checks of functional acknowledgment, monitor uptime of systems, install updates | Checks done every 2-3 hours, Responsibility of provider Responsibility of provider |
| ■ Chargebacks | Reserve funds for software and human errors | Upfront data validation, assistance with mediation |

IN-HOUSE

Pros: a sense of greater control, paid staff reports directly to internal management

Cons: significant infrastructure investment, initial and increasing staffing costs, full responsibility for maintenance and any downtime, responsible for updates to retailer mapping, significant investment of time and resources, intellectual capital resides with a small number of employees

vs.

FULL-SERVICE PROVIDER

Pros: minimal upfront investment, customer support and expert EDI knowledge, regular updates done to retailer mapping, least amount of time and resources required, provider is accountable for seamless operation

Cons: system managed by an outside expert, some data controlled by third-party contractor

CONCLUSION: IN-HOUSE VS. FULL-SERVICE EDI

Use thoughtful analysis to guide your decision.

Companies that manage EDI in-house, or are considering it, need to carefully analyze the true, overall costs. While managing EDI is a necessary cost of doing business with retail trading partners, the right solution is different for every company. Many companies fall prey to inertia, continuing to do EDI in-house because they always have, and fail to review that part of their operation on a regular basis.

EDI can be very technical, detail-oriented, and challenging. Deep domain expertise comes from a constant immersion in it—the best providers are fully invested in providing the software and people that ensure the highest level of service.



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