

## 2. The Promise of EDI

### 2.1 Why have companies implemented EDI?

Just as the telephone and fax before it, EDI is fast becoming a required business tool. In the long term, EDI can reduce costs and improve customer service. As with any business investment, timing is determined by the need to meet customer requirements and the likelihood of achieving the benefits.

EDI enables transactions between a company and its trading partners to be conducted more efficiently. For example, EDI eliminates the need for re-keying of data. Rather than re-keying an invoice printed from a trading partner's computer, EDI allows the invoice to be sent directly from one company's computer to that of its trading partner. This automated exchange of messages means documents can be processed much faster, more efficiently and accurately.

EDI delivers the most benefits when it is part of re-engineered business practices. The following examples illustrate this point:

#### Just-In-Time Manufacturing

EDI's timely and accurate information exchange allows Just-In-Time (JIT) inventory control to be truly effective. JIT provides significant savings by reducing inventories and material handling and storage costs. A critical feature of JIT is the bar code scanning of each shipment and the transmission of an Advance Shipping Notice. Thus, when a company changes its approach to inventory and handling, adds some enabling technology and uses EDI, it can expect to gain substantial payback.

#### Quick Response Retail Supply

This version of JIT allows retailers to reduce their inventories and improve their receiving functions. Combined with item, case and shipment bar coding and unit price code (UPC) point-of-sale scanning, EDI ensures that in-demand merchandise is available when it is needed thereby reducing labour costs.