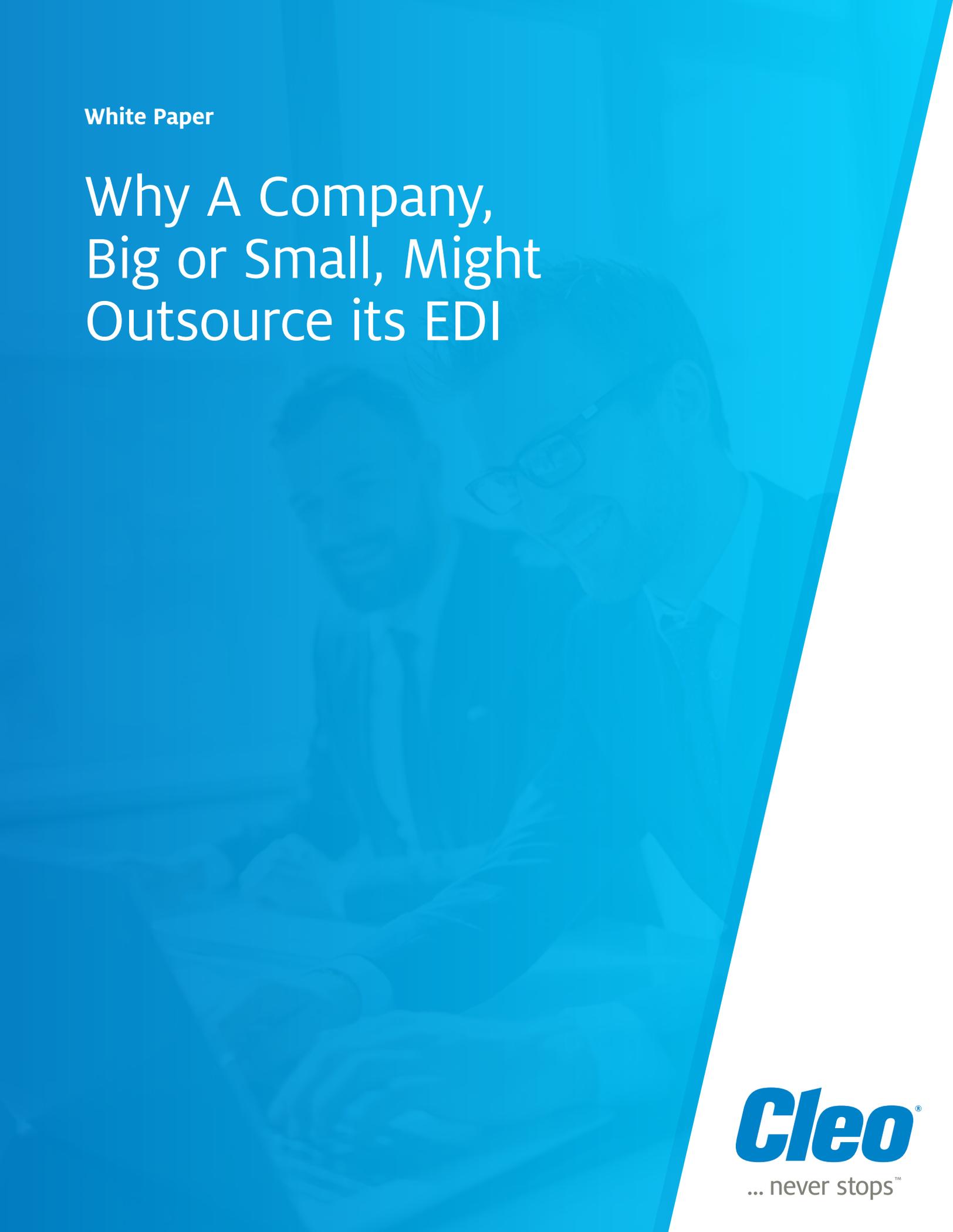


White Paper

Why A Company, Big or Small, Might Outsource its EDI



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Can your organization take on an increased diversity of partner, application, and service interfaces present in business environments today? If not, it might be time to offload your EDI communications.

Not too long ago in the world of logistics, it was standard practice to have to pick up the phone to place a shipping order, dial in to a fax machine to send an invoice, or rely on email to transmit sensitive data between suppliers and resellers.

It was a slow, arduous process, one that was unreliable and prone to error. But electronic data interchange (EDI) changed all that decades ago. The revolutionary data transfer format has cut out mistake-riddled processes to standardize communications. It's been a staple of exchanging purchase orders, invoices, advance ship notices, and so many other documents within the logistics and supply chain industries for decades.

And the fact remains that EDI is incredibly important to countless major industries, including big-box retail, automotive, manufacturing, and airlines. It's the default communications standard, and until those leading industries stop using EDI, it's a technology that isn't going away.

Let's be honest, though. If you're reading this, you already know what EDI is and what it does—benefits, shortcomings, and everything in between.

But if your company is tasked with operating and maintaining the entire EDI and B2B integration process, you also know how cumbersome that can be while also trying to constantly improve your core business offerings. In-house limitations have long been the critical factor for realizing EDI's full potential.

More organizations in this age of digital business transformation are seeking EDI solutions to progress from a legacy system to a more modern, up-to-date process. Whether you're a small company that needs to trade electronically with multiple customers or a larger organization that wants to communicate electronically with various suppliers, vendors, and third parties, it's important to understand what solutions are available. EDI modernization extends B2B integration and automation capabilities beyond traditional EDI to support emerging business requirements.



Any EDI provider can offer basic EDI capabilities, but only a leader understands your business and the need to integrate EDI with other critical business processes. Leading providers of EDI, B2B integration, application integration, and big data integration solutions know the pros and cons of modern integration technology.

The good news is, EDI-heavy organizations can now leverage innovative software solutions to simplify and automate data exchange processes to connect, validate, transform, and route EDI and other documents between any internal and business partner application without the need for custom code.

Traditional or Modern EDI?

First, let's elaborate on the difference between traditional EDI and modern EDI processes.

Traditional EDI is the exchange of standard electronic document types, with syntax and semantics defined by standards organizations, mainly X12 and EDIFACT. It is characterized by the batched interchange of standard electronic documents and flat files between trading partners, often through a value-added network (VAN).

Modern EDI refers to the process of extending B2B integration and automation capabilities beyond traditional EDI, in support of modern business requirements. Modern EDI solutions enable companies to not only easily process X12, EDIFACT, and Tradacoms standards, but rapidly scale integration processes to meet developing use case requirements through an easy-to-use platform.

Modern EDI, then, isn't a new kind of technology or product. Instead, it's an integrated set of capabilities that can be delivered in different ways. The modernization of EDI processes bridges the gap from the traditional EDI model with any-to-any connectivity, end-to-end integration, near real-time response, support for multiple, non-standard document syntaxes, on-demand visibility, and other value-adding capabilities.

Modern B2B integration reflects changes in the way companies are connecting systems and applications, automating business processes, and exchanging data. Its value lies in expanding integration capabilities while reducing the cost and complexity of partner onboarding and operations. Traditional EDI remains essential, but it is no longer able to fully satisfy modern B2B integration needs.

You can leverage modern EDI capabilities using on-premise technology, cloud services, Integration-as-a-Service (IaaS), or a combination. And the benefits of doing so are convincing. Businesses that invest in modern EDI capabilities are more agile, more scalable, more efficient, and easier to do business with.



A CLOSER LOOK

Not Just Features, but Capabilities

A modern EDI solution features:

- Any-to-any data transformation for easy partner connectivity and faster time to value
- Built-in support for XML, databases, spreadsheets, web services, change data capture, and other mediations
- Seamless integration between your managed file transfer (MFT) platform and ERP systems
- Improved visibility of internal and external business processes
- Reduced time and costs for application replacements and upgrades

Look no further than some of the biggest mega-companies in the world like Walmart, Amazon, and Target. These giants tower over competition because while other organizations are still using EDI technology developed decades ago, the likes of Walmart and Amazon embraced e-commerce early on by prioritizing connections with business partners and maximizing EDI workflows. And they did that by boosting and streamlining complex, multi-cloud B2B, and multi-vendor environments.

EDI Deployments

There are many types of EDI, including direct EDI, EDI through a VAN, cloud-based web EDI, and outsourced EDI. While each allows companies to exchange data electronically, there are obvious differences between how the data exchanges happen.

Direct, on-premise EDI enables companies to essentially take full ownership of data exchange. But as your business grows, so does the EDI system with additional hardware required to deliver new services and onboard new partners. This process requires substantial ongoing financial investment into updating the system hardware, maintenance, security, and other resources. Even though on-premise EDI can offer better data security, it usually demands a dedicated IT team to manage ongoing system issues and glitches, which many companies can no longer provide. That's because finding and keeping people with the right integration skill sets is challenging, and when those who are able to navigate the legacy or homegrown EDI systems move on, companies are left with a huge talent gap.

EDI through a VAN is not only costly, but a very outdated way of managing business data flows. But many companies that don't want to support every protocol have to use this method for trading partners that use certain EDI networks. These mailbox-based workflows, however, tend to get expensive because of fluctuating and unpredictable costs. Most EDI VANs charge by the kilobyte, so the more data you send through the VAN, the higher the cost. As such, EDI via a VAN is not ideal for aggressively expanding businesses.

Cloud-based web EDI is a newer EDI management method. The process involves paying a fee to leverage EDI processing via the internet without having to download or maintain software. It offers easier and more cost-effective scalability with reduced IT risks and an increased knowledge base. This cloud-based solution also continually backs up protected data with anywhere, anytime monitoring and access.

A CLOSER LOOK

EDI and Business Execution

When a company sets up a relationship with a new customer, the sales team generally comes up with specific rules on how the company will engage with that customer: pricing, shipping, logistics, and SLAs. But while those details are agreed on upfront, the process and requirement are then transferred to the EDI team to fulfill, which means information can get lost in translation.

So regardless of how customers send in orders, it still might not be done correctly according to the initial agreement. This error affects workflows all the way through the pick-pack process, ASNs going back out to trading partners, invoicing, and even payment. The overall business process, then, is at risk because the initial business agreement wasn't executed properly.



Outsourcing EDI to an expert EDI vendor can overcome much of the stresses of in-house management. With no requirements for software or hardware on premise, it's easily scalable and helps eliminate the burden of technical problems. This deployment also provides experts and resources to set up the system and onboard vendors and other partners. And when problems do arise, there is ongoing tech support and improved security measures to allow your company's IT teams to worry about their core business focus.

There's also more than one method to outsourcing EDI: A third party manages the processing for your business on your company's on-premise server in more of a managed services model, or your company could outsource applications and infrastructure to a third party to host it in the cloud, where they run the show and pass the data back to you, for a fully-outsourced EDI solution.

And many companies are seeking more flexibility in being able to set up their own trading partners using either application program interfaces (APIs) or another web-based interface. Whatever platform you choose, however, must be able to support APIs to integrate with other critical business workflows for comprehensive visibility.

So, Why Outsource EDI?

EDI has long been the communication standard used to transmit data from one system to another. It's been essential yet fairly rigid. But over the last several years, the process has evolved beyond just simple onboarding with data mapping and testing. EDI has become much more elaborate through globalization. The evolution of business means there are new data formats, larger file sizes, new cloud applications, and new platforms to consider.

Countries have created their own EDI systems or have implemented a format that was suitable for them. In the United States, the EDI standard is usually ANSI X-12, while the United Kingdom uses EDIFACT or Tradacoms. Each format has its own data vocabulary and arrangement.

Additionally, more companies are leveraging the security and automation of EDI rather than manually managing orders. This means EDI teams are becoming increasingly responsible for the business' entire data flow process. EDI no longer requires a person to be just tech-savvy—that person also must have a great understanding of business procedures because it's really an overall business flow that the EDI teams are involved in.

A CLOSER LOOK

Addition by EDI Subtraction

Modernization through outsourcing can:

- Boost partner service-level agreements (SLAs)
- Reduce chargebacks and other reconciliation penalties
- Integrate trading partners with limited technical capabilities
- Improve visibility, auditability, and manageability
- Reduce service outage risks
- Consolidate infrastructure
- Address application and data integration needs
- Free up people maintaining EDI systems to work on those core company goals



EDI is no longer as simple as a person just moderating data coming in and out. Intricate compliance requirements and demanding business initiatives across multiple global industries are at play. As these EDI processes become more complex, data becomes more prone to human error, and it's the EDI teams within a company that are generally held accountable for any data problems during the order or business cycle.

If a product doesn't ship out on time, the reality is that EDI may not necessarily have been the problem. After all, it's a method that has long-proven to consistently work. Rather, it's personnel or operational problems within the business that bear the brunt of the blame.

Summary

Maintaining an EDI solution in-house can be complex, so revisiting sourcing options is an important part of every EDI modernization decision. And it all could come down to this one simple question: Do you really need to be managing your EDI processes anymore?

These are often-cumbersome processes that can affect a company's budgeting, staffing, service levels, the ability to respond to new requirements, and the ability to grow the business. And, truth be told, you don't have to make it any harder on yourself.

An outsourced EDI approach delivers automated workflows, real-time visibility into operations, and superior service to customers across industries. And given how much EDI specialists are engaged with the business today, your organization will stay fully in the know on any and all EDI operations regardless of who manages them.

It's the natural progression for companies to outsource as they grow and their B2B transactions become too difficult to manage internally. Focus on what your business does best and let the professionals who know EDI, B2B, and MFT integration focus on those processes for you.

The good news is, you don't have to decide right this second. Whether you want to continue to manage your EDI on-premise or hand over the reins to an EDI expert to manage it for you, Cleo is here to help. Visit www.cleo.com/edi/ to more about Cleo's EDI integration solutions.

ABOUT THE AUTHOR



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Tammy Moyer is a senior product manager at Cleo, responsible for leading the strategic direction for a line of B2B integration products. She ensures alignment between the needs of the market, customers, and Cleo. Tammy has more than 20 years of experience in the software industry, including positions as a network engineer, software engineer, test engineer, and product portfolio manager. Tammy holds an information sciences degree from Penn State University, where she focused on integration and enterprise architecture.



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