USING EDI TO REDUCE COSTS & IMPROVE MARGINS

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This business builder aims to arm readers with information they can use to improve their operating margins by reducing costs and increasing revenues through harnessing the potential of EDI (Electronic Data Interchange) in their business.

In the 3rd quarter of 2009 Australian Newsagents will have access to a new EDI (Electronic Data Interchange) network via XChangeIT *LINK* (www.XChangeit.com.au). This month we take a fresh look at EDI and how, from a newsagent's perspective, it can be used to reduce costs, grow revenues and improve operating margins. At the conclusion of this article you should have an understanding of the potential benefits, how much of those benefits you are realising today and most importantly what action can be taken to increase the benefits in your business.

This business builder covers three areas:

1. Introduction to EDI
2. EDI in the Newsagent environment
3. Capturing benefits – current and future

INTRODUCING EDI

Electronic Data Interchange (EDI) is the transmission of data between organisations, in a structured form, using electronic methods to transfer that information. In its simplest form it electronically transfers documents from one computer to another in a way that both systems can read and interpret the information contained within the document.

EDI is not email. EDI is not websites. It is significantly more powerful. EDI, correctly executed, allows computer to computer interaction among different businesses. It's strictly formatted messages allow those systems to connect with one another in a way that both understand, removing the need for human intervention.

Benefits

Business to business relationships increasingly rely on significant amounts of information flowing back and forth. Newsagents with their significant exposure to sale or return processes understand well the amount of information that needs to be moved back and forth to keep the supply chain ticking. Historically that information requires a great deal of human intervention. Paper forms, delivery labels, faxes, phone calls, documents, statements all depend heavily on human intervention to create, move, copy and store that information. EDI replaces those information flows, using alternative means to cut out the 'middleman'.

The benefits EDI brings to business to business relationships are significant and far reaching:

1. Remove the need to re-key documents. Reducing labour, errors and reliance on post services while increasing speed.

2. Eliminate paper. Reducing total paper usage, document storage & risk associated with paperwork being lost.

3. Reduces the amount of time wasted in moving information from one system to the other. Gives both organisations advance notice and time to better plan how to more effectively use stock. In the newsagent space this includes planning sub-agent allocations and re-supply requirements.

4. Competitive advantage. Lower costs mean better operating margins and enhanced profits. Being more cost effective makes your business more attractive to deal with allowing you to secure the best deals from your business partners.

Making it happen

EDI relies on two complimentary parts:

1. Technology. It's the systems that take the human intervention out of the equation.

2. Standards. Consistent standards are critical. These allow completely independent systems, designed for quite different purposes to communicate with one another.

EDI IN THE NEWSAGENT ENVIRONMENT

Australian Newsagents are fortunate to have in place sound EDI infrastructure. Since 2001 a core of strong POS (Point of Sale) systems have been able to communicate directly with some of the industries biggest suppliers via an industry standard EDI Network (XChangeIT) using a set of robust and uniform data standards.

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That infrastructure currently supports a limited number of "documents" that are electronically created and transferred from suppliers to agents (or vice versa) without human intervention:

1. Delivery Data – Details of inbound deliveries including products, quantities, prices and barcodes.

2. Returns claims – Details of unsold products and quantities agents are claiming for credit.

3. Sales Data – Details of sales and stock movements giving suppliers an understanding of what has been sold and what stock remains on shelf.

This network has unlocked real time savings for agents:

Feature	Agent Benefit
Delivery Data	Labour saving. Avoid re-keying in information off delivery labels. Varies by agent based on size but equates to hours per week.
Returns Claims	Labour saving. Eliminate need to re-key returns calculated in POS to paper or supplier websites. Improved cash flow. Real time transfer and acceptance of claim speeds receipt of credit.
Sales Data	Waste / returns reduction. Real time communication of sales and stock levels to suppliers enables more accurate forecasts. Reduced out of stocks. Real time communication of sales and stock levels to suppliers enables improved forecasts and rapid replenishment.

Time for all agents to take a fresh look at EDI

Why re-state the basics above? Surely it's just going over old ground? All agents are already banking these benefits right? Wrong. Three facts support that all newsagents can benefit from taking a fresh look at EDI in their business.

Most newsagents don't participate in EDI

Connections agents are among Australia's top newsagents and independent retailers. Even among this top group the majority are yet to realise the cost savings and improved margins EDI offers:

- 26% of Connections newsagents aren't connected to the EDI network (XChangeIT). This number includes large agents handling in excess of $400,000 in magazines per annum.

- 47% have access to the XChangeIT network but aren't set up to complete returns via EDI.

- 7% of Connections members are set up to complete returns via the EDI network yet choose to re-key into websites or operate off paper returns forms instead.

All up even using today's EDI technology there are significant and un-tapped cost savings and cash flow benefits available to most agents. The EDI technology available to newsagents is about to shift up a gear opening up an even richer source of opportunities (see below) . How well positioned are you to take advantage?

Sales data - benefits yet to be tapped

Today significant waste (returns and labour) and lost opportunity (out of stocks) impacts newsagents and suppliers. Key to unlocking benefits in this space is the timely transfer of sales and inventory information from agents back to those suppliers. Timely data that is accurate and reliable allows for better supply decisions to be made or rapid replenishment to be organised to prevent an out of stock.

Today the sales data sent from agents to suppliers is either unavailable or simply not used because it isn't sufficiently reliable or accurate.

Newsagent EDI – poised to take another leap forward

In the winter of 2009 newsagents will be invited to participate in the first major upgrade of the industries EDI network since 2001. The launch of XChangeIT *LINK* and the raft of new benefits it offers means now is a great time for all newsagents to take a fresh look at the role of EDI in their business.

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Next generation EDI in newsagents Winter 2009

XChangeIT *LINK* will be available to all newsagents in winter 2009. *Link* is the first major redevelopment of the newsagent industries EDI capability since 2001. It opens up a range of new benefits:

- All returns, all magazine suppliers in one place. Early, late, normal.

- Real time confirmation of transactions. Be comfortable your information has been received & accepted. Easy reconciliation of returns to statements.

- Performance reports & feedback. Know if the data you are sending back is compliant.

- Access to EDI services such as returns managed centrally by XChangeIT – no chasing multiple suppliers.

- Price subsidised for agents sending back compliant sales data.

- New user friendly interface.

- Plus more – see **www.xchangeit.com.au** for more details.

MAXIMISING BENEFITS IN YOUR BUSINESS

There are 5 keys to using EDI in your business to reduce costs and improve margins.

1.   A good POS system is critical

A good POS system is the key to kick starting EDI in your business.

When evaluating your existing or potential POS be aware. Like any product not all POS systems are created equal. Even within the newsagency space there are a variety of system options. All have differing levels of capability – especially when it comes to EDI. A lot of how much benefit is available to you will come down your POS. EDI has come a long way. In newsagents it is about to take another leap forward. Many of the systems already installed in newsagents and some still being sold today aren't capable of participating fully and therefore capturing the full range of benefits for their users. Take an interest in where you stand.

What can you do? The key here is research. Shop around or browse the net. Ask your current vendor what you need to do in order to participate fully in today's EDI transactions. Pick up the phone and talk to some of the other leading

POS System suppliers. Speak to your fellow agents or XChangeIT. A POS system is a big investment. Payoffs are also big – provided that system meets your needs.

2.   Good POS system not enough... it must be used well

Garbage in, garbage out. A good POS alone is not enough. EDI only works when the data is available, timely, accurate and consistent. In the newsagent environment data is easily corrupted. Work with your POS supplier to get the most from your data. Some basic tips include:

- Speak to your POS System provider. What advice, guides and settings do they recommend?

- Scan every sale.

- Scan every movement of stock to subagents.

- Scan sub agent returns back to stock or to returns.

- Capture all the information from a barcode. Most magazines have a 15 digit barcode. Reading all 15 digits is critical to accurate information.

- When creating your own barcodes ensure they link not only to the product but the issue.

- Got a dump key on your POS? Disable it. Don't let staff
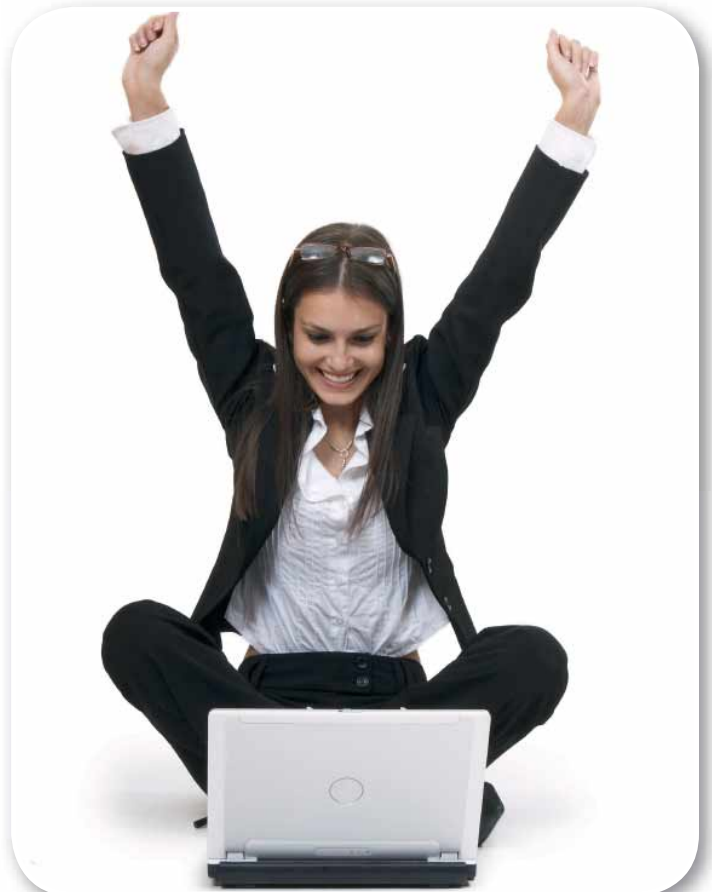
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easily record sales that aren't linked to an item.

• Train your staff in the processes you want them to follow. Explain to them why it is important that stock movements are captured correctly. Monitor their performance to ensure both them and your business are getting maximum benefit

• Configure your POS to send back sales data. It opens the window to better supply with fewer returns and out of stocks.

• Complete your end of day process and make data available.

• Check your performance. The new generation of POS Systems and EDI networks have reports available to help you identify good performance and areas where changes may be required EG cash sales of unknown items (via your POS), EDI file upload results (Via XChangeIT)

3. Install XChangeIT

Without XChangeIT you can't connect to the majority of suppliers offering EDI services. It allows your POS to talk directly to your suppliers saving you time and money. The latest generation of the XChangeIT system *LINK* is being introduced in Winter 2009 and opens up an array of new EDI services.

4 Encourage your suppliers to utilise EDI

While you pursue efficiency and cost savings encourage your suppliers to do the same. Be clear on your preference to using EDI in favour of paper, fax, email and re-keying manual invoices.

5. Ask XChangeIT or your POS vendor what you can do to increase EDI benefits in your business

Each agent's situation and capability is unique. If you decide to increase the benefit EDI is bringing to your business contact both your POS Vendor and EDI supplier (XChangeIT).

Key Points

Using EDI to reduce costs and improve margins

- EDI improves profitability to reducing human intervention required in business to business dealings. Diverse systems communicate directly.

- Newsagents have both the potential and infrastructure that provides a rich source of opportunity to be captured by EDI.

- Very few newsagents benefit fully from EDI today.

- Your POS system is the most defining factor in how much you benefit. Not all are created equal. Not all are capable. Buyer beware. Research is crucial.

- Other keys to maximising EDI benefits in your agency include a good POS system used well, linked into the XChangeIT network and a majority of suppliers transacting with you via EDI.

- 2009 sees new EDI opportunities being made available to newsagents with the release of XChangeIT *LINK*.

30% Tax break helps small businesses invest in technology

The federal government is currently promoting an investment tax break. This is to encourage businesses, especially small to medium sized ones to increase business investment, stimulate economic activity and promote Australian jobs.

Under the scheme, until June 30 2009 small businesses will be able to claim an additional 30% tax deduction for eligible assets over $1000.

After June 30th the additional tax deduction falls to 10%.

Interested newsagents should speak with their accountant to get a full understanding of how to take advantage of any tax concessions they may be eligible for.

In addition to the tax concession many suppliers, including newsagency POS vendors, are offering great deals on hardware and software.

Now may be the ideal time for newsagents to take advantage of a buyers market and consider bolstering their IT capabilities.