

EDI Certification Plan For the Christian-Resources Industry

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This proposal offers a two-phase strategic approach to increase efficiency, reduce costs, and increase sales through implementation of industry-wide electronic data interchange standards and processes.

The certification initiative aims to provide broad industry automation of business-transaction processes through a common e-commerce structure and process. The purpose is to increase transaction speed and accuracy, provide an open platform among all channel trading partners, allow information and data exchange into internal business systems, and lower operating costs.

This long-term certification strategy will help create awareness of standardization requirements and processes, and give industry participants time to develop appropriate systems and practices.

Introduction

Streamlining the Christian Retail Channel supply chain is crucial. Reducing supply-chain costs will:

- Improve retailer competitiveness and profitability against other retail segments.
- Increase efficiencies to better balance supply with actual demand, reduce costs, and increase sales for all trading partners.
- Foster growth for smaller and new Christian-store retailers.
- Support continuing work of larger retailers to reduce supply-chain costs, transaction and cycle times, and required inventory.
- Create opportunities for new Christian-retail development to meet growing demand for Christian resources and to grow the channel for retailers and their suppliers.

More efficient business processes have been identified as a critical industry issue through a strategic process facilitated by the Soderquist Center for Leadership and Ethics.

CBA and the Evangelical Christian Publishers Association have joined cooperatively to address industry and supply-chain issues. Among initial industry initiatives are standardized EDI e-commerce, product coding, industry sales-data gathering and reporting, and attempts at a standardized industry product database to ensure accurate, reliable, and timely product-information dissemination for trading partners.

Recognizing the importance of this channel, ECPA committed its 2004 Spring Management Conference to workshops and discussion on revitalizing Christian retail.

Purpose and Recommendations

To further advance supply-chain initiatives, CBA and ECPA are jointly recommending the following on behalf of their membership:

1. That Electronic Data Interchange standards be established, to which supply chain participants will be certified in phases as detailed below.
2. That CBA and ECPA jointly endorse the proposed standards.
3. That a certification process be established and all industry supply-chain participants be asked to be certified, as able, to interact electronically with channel trading partners and the broader marketplace.

Certification will expedite industry acceptance of standard EDI-based e-commerce and create broad awareness of common requirements, processes, and systems that will enable a more efficient and competitive channel. Once preliminary EDI-transaction capability is established, additional electronic documents will be phased in to automate trading-partner transactions, reduce costs, and broaden use of electronic communications across the industry.

Background

CBA and ECPA have been collaborating to develop more sophisticated approaches to managing the Christian-resources industry's supply chain. The work dates back several years when ECPA founded *X•net*. While *X•net* has been successful operationally and has been a driver for greater industry standards and processes, EDI has been constrained by limited capability and acceptance. As a result, the industry continues to fall behind in exploiting efficient technologies and techniques commonly used in general retail today, including automated transactions and receiving.

While the *X•net* system could provide all necessary documents for automated e-commerce transactions, industry POS providers provided minimal electronic-document support — primarily purchase orders and purchase-order acknowledgements. The complete document set needed for automated transactions are PO, POA, advance ship notice, and invoice. At the same time, many suppliers have not implemented standard e-commerce processes in retailer or wholesaler transactions.

At a fall 2003 industry supply-chain summit in Chicago, many of these concerns were discussed, including key issues about why *X•net* didn't work:

- No immediate POA, so retailers can't tell whether their PO was received, or what could be filled on the order.
- Retailers' inability to get best pricing or promotional pricing using the existing EDI infrastructure.
- Retailers' concern that sales reps lose commission on EDI orders.
- A complicated, costly fee system.
- Supplier expense for operating and maintaining multiple e-commerce platforms for multiple customer interfaces.

The Chicago summit also discussed various strategic approaches to improving supply-chain trading processes. As a result, ECPA and CBA formed an industry Supply Chain Management Committee, including four subcommittees to develop solutions in specific supply-chain areas: Distribution, Operations and Best Practices, Technology and Data Integration, and Education and Communication. Through this collaborative framework, solid problem statements and approaches were developed.

In spring 2004, ECPA named a new EDI supplier, Pubnet. Acquired in 2002 by RR Bowker from a consortium of publishing interests, Pubnet has been designed for the special needs of the publishing industry, while also having the capability to manage other product segments. Through broader collaboration with the Uniform Code Council and the Book Industry Study Group, Pubnet incorporates latest global standards for business transaction and data processing. The company operates on the Global eXchange Services network, one of the largest EDI networks. Pubnet provides all electronic documents for proposed first- and second-phase certification.

Technology and Data Integration

The Supply Chain Management Committee's Technology and Data Integration subcommittee decided to address key EDI and e-commerce issues. The goal is to provide a standard EDI platform that can provide fast, accurate business-document exchange to enable automated ordering, receiving, PO and invoice reconciliation, and remittance authorization. This platform would contribute significantly to business-transaction cost reductions while increasing transaction speed and accuracy.

Problem Statement:

The Industry lacks a unified, cost-effective approach to utilizing e-commerce solutions. This leads to:

- Fragmented e-commerce systems that prevent comprehensive data visibility, sharing, and analysis;
- Lack of a common approach for trading relationships;
- Lack of understanding, standardization, and implementation of e-commerce.
- Significant inefficiencies and related supply-chain costs, which simply can and must be eliminated (or the resources better utilized), including, but not limited to, time, human capital, and inventory costs.

Vision/Goal:

Create an efficient, standardized e-commerce methodology that reduces industry costs and increases sales and efficiency. Proposed goals are:

- 30% of independent retailers with annual sales exceeding \$750,000 will process at least 50% of all (book, Bible, music and video?) sales orders through the endorsed system within one year.
- A timeline goal for greater industry compliance will be developed and adopted.

Current Environment:

- Larger independent retailers tend to be computerized with one of five systems: Booklog, Bookstore Manager, IBID, IRT, Revelation Retail.
- Larger retailers often have proprietary systems, which typically have EDI capability.
- Many small- and mid-level suppliers have not implemented EDI, either through internal systems or web-based *X•net* interfaces.
- POS systems in place generally support PO/POA to wholesalers directly with immediate acknowledgement, PO/POA to some publishers directly, and PO/POA thru *X•net*. They also tend to support some database import capabilities.
- Retailers have demonstrated their willingness and desire to order electronically; e.g., wholesaler orders are primarily electronic through proprietary systems.
- Some retailers secure best terms through phone orders or sales reps, and then order electronically specifying terms. Others, just order by phone or fax. These are not optimal options and increase transaction costs for all trading partners.

Conclusion

The industry can make near-term positive impact by addressing EDI shortcomings and move the industry forward via the certification program. The purpose of certification is to outline initial basic requirements and long-term direction of EDI implementation. This will allow:

- Open communication on EDI specifications.
- A solid testing and development strategy.
- Time for POS providers to develop and implement required software and interfaces that address concerns outlined above.
- A technology foundation for substantial future expansion to benefit all trading partners.

Certification Recommendations

Recommendation 1 – Establish phased standards:

The phased standards for retailers, suppliers, and POS providers are listed below. Certification requirements will be progressive over time, increasing as capabilities increase. Certification is based on X-12 standards. The supply-chain initiative and the Christian Retail Solutions Committee will work to ensure standards support varied product categories present in the Christian-retail channel (e.g. music, gifts, etc.), and incorporate appropriate product-code standards.

Suppliers: Phase I standards include:

- Electronic-ordering support with acknowledgement available within one hour, in conjunction with each of the predominant POS providers—either directly or via Pubnet.
- PO (850) and POA (855 and 997)
- Electronic submission of product information for industry databases.
- Active participation in standards development.

NOTE:

- The above standard to receive a Purchase Order and send a Purchase Order Acknowledgement within one hour would apply initially to the identified top 25 suppliers.
- Phase I requirements for other suppliers are limited to product-information support. Upon receiving Level I certification, a supplier also must be able to send and receive a PO within one year, either through their own system or Pubnet's Purchase Order Wizard.
- Phase I standards will be demonstrated by a proof-of-concept test involving representative companies from all levels of the supply chain. Lemstone Christian Stores spearheaded the test among selected participants and proved targeted documents could be exchanged accurately.

Within one year, Phase II standards will require:

- Support for Electronic Invoice (810)
- Support for Advanced Shipping Notice (856)
- Daily updates to real-time availability initiative
- Best Terms support.

Retailers: Phase I standards include:

- Use of a certified POS, at a certified release level, or through proprietary EDI software modules that link via Pubnet.
- Electronic Purchase Order (850) placement and electronic POA (855) receipt to/from certified suppliers
- Establishing/documenting in store processes to use these EDI transactions

Within one year, Phase II standards will include:

- Use of a certified POS, at a certified release level, or through proprietary EDI software modules that link via Pubnet.
- In store processes to communicate via EDI on phase two transaction sets (electronic invoice [810] and ASN [856]).

Additionally proposed retailer certification includes a standard capability and commitment to cycle counting to ensure data accuracy and integrity throughout the supply chain.

POS System: Phase I standards include:

- Pubnet PO (850) and POA (855) support
- Wholesaler/Distributor Ordering Support
- Database Import Support
- STATS Reporting Capability
- Active Participation in Standards Development

Within one year, Phase II standards will include:

- Electronic Invoice
- Advanced Ship Notice
- Interface to industry databases
- Interface to industry real-time availability database
- STATS reporting capability to include inventory reporting

Additionally Proposed POS Standards

- Category code mapping capability to allow reporting by standard CPC codes, while giving retailers flexibility to manage store merchandising by a custom-code set that maps back to CPC codes. **Note: Book CPC codes are under revision and possible integration into the BISAC product-coding standard by fall 2006.*

Phase I Standards Chart

<u>Suppliers:</u>	<u>Retailers:</u>	<u>Point of Sale:</u>
<ul style="list-style-type: none"> - Electronic ordering support with acknowledgement available within one hour, in conjunction with each of the four major POS providers either directly or via Pubnet or through EDI capability in internal software. 	<ul style="list-style-type: none"> - Use of a certified POS, at a certified release level, or through proprietary EDI software modules that link via Pubnet. - Electronic Order placement and electronic POA receipt to/from certified suppliers - Establishing/documenting in store processes to use the above EDI transactions 	<ul style="list-style-type: none"> - Pubnet PO and POA Support - Wholesaler Ordering Support - Database Import Support
		<ul style="list-style-type: none"> - STATS Reporting Capability
<ul style="list-style-type: none"> - Active participation in standards development 	<ul style="list-style-type: none"> - Active participation in standards development as represented by associations 	<ul style="list-style-type: none"> - Active Participation in Standards Development
<ul style="list-style-type: none"> - Electronic submission of product information for the industry database. 	<ul style="list-style-type: none"> - Additionally proposed retailer certification includes a commitment to cycle counting to ensure data accuracy and integrity throughout the supply chain. 	<ul style="list-style-type: none"> - Additionally proposed POS certification includes category-code mapping capability to allow reporting by standard CPC codes, while giving retailers flexibility to manage store merchandising by a custom-code set that maps back to CPC codes.
<ul style="list-style-type: none"> - Best Terms support <p>NOTE: This applies only to the top 25 suppliers. Requirements for smaller suppliers are limited to product information support</p>		

Phase II Standards Chart (Within One Year):

<u>Suppliers:</u>	<u>Retailers:</u>	<u>Point of Sale:</u>
- Support for Electronic Invoice	- In store processes to communicate via EDI on phase two transaction sets (electronic invoice and ASN).	- Electronic Invoice
- Support for Advanced Shipping Notice	- In store procedures to receive and process the Advanced Shipping Notice	- Advanced Ship Notice (856)
- Daily updates to real-time availability initiative	- Use of a certified POS, at a certified release level, or appropriate internal EDI modules	- Interface to industry real-time availability database
- Promotion Code (basic implementation) provide special, best price deals via EDI	- Procedures for using promo codes; request special deals via EDI	- Interface to Industry databases
		- Support for Vendor Supplied Promo Codes (basic implementation)
		- STATS Reporting Capability to Include Inventory

Recommendation 2 – Develop a certification process:

To promote adoption of vital industry standards CBA and ECPA will create a certification program for retailers, POS systems providers, suppliers and distributors/wholesalers.

CBA and ECPA will:

- In cooperation with Pubnet and the Christian Retail Solutions Committee document and define listed standards.
- Define a certification process, including:
 - An application process
 - Documentation to demonstrate a company's ability to abide by standards
 - Auditing capabilities and program
 - A plan to broaden both participants (certifying new companies or individuals), and transaction types (additional electronic documents and relevant business processes over time as desired and justified by the Christian Retail Solutions Committee or its assignee).
- Assign a position in each association to be accountable for developing in detail, documenting, and managing the process.
- Manage the certification process.
- Develop a program that recognizes and rewards certified members, including highlighting business benefits to each supply chain tier.

The certification process may involve a standing committee of participants from different tiers of the supply chain to audit and validate the process, its reasonableness and feasibility, and actual need for specific standards.

Pubnet has agreed to provide certification documentation as it establishes retailers and suppliers on the Pubnet system. Pubnet also provides reporting that shows how long it takes suppliers to provide purchase order acknowledgements, if partners are using non-standard formats, etc.

Most retailers will be certified if their POS Systems have minimum capabilities and the proper POS software release level. Retailers will still need operational processes to maximize system capabilities.

Expected Benefits

To the supplier/wholesaler:	<ul style="list-style-type: none"> • Time savings in receiving/accepting/processing orders • Reduced people cost to process orders • Moving toward a real time environment reduces returns and all associated costs • Better visibility in the channel enables better decisions on production/distribution/programs, etc.
To the retailer:	<ul style="list-style-type: none"> • Time savings in the store – can place and reconcile orders more quickly • Reduction in error rate – fewer “touches” on the order • Moving closer to “one-touch” on inventory and shelving, further reducing costs • Terms that reflect the benefits of electronic ordering
To the systems provider:	<ul style="list-style-type: none"> • More clients on current release • Able to plan development priorities and allocate resources • Additional functionality provides a marketplace competitive advantage, leading to more clients

Issues that will need to be addressed

- Suppliers must provide terms that reflect the savings of electronic ordering and motivates retailers to operate electronically.
- Expand supplier use of Pubnet, initially focused on top 25 suppliers
- Communicate new Pubnet simplified and reduced pricing policies. Retailers may use the system free of charge; suppliers have a new pricing structure and reduced fees.
- Support entire certification process with comprehensive awareness and training programs.
- Continue aggressive campaign to work with suppliers to introduce cost-effective and realistic solutions that will help all suppliers quickly implement best price, immediate inventory-status availability, discount codes, and immediate purchase-order acknowledgements. These specific capabilities are currently available through standardized systems in multiple industries. Once implemented, they have demonstrated significant cost savings for trading partners.