STERLING COMMERCE WHITE PAPER

Tips for Optimizing your B2B Trading Community

Sterling Commerce
An IBM Company

Introduction

Organizations have made significant investments in B2B software and connectivity to automate business transactions with their trading partners. The primary objective has been to drive efficiencies with large trading partners; however, there is still much room for improvement.

As it stands now, many businesses adhere to the 80/20 rule or Pareto Principle[1]; electronically linking with only 20 percent of their partners, which represents as much as 80 percent of their transaction volumes and/or revenues. Within this group of electronic partners, companies are often failing to maximize the potential of these existing trading partner connections, such that only portions of business processes have been automated. Consider the situation of only automating a purchase order or invoice; but not the entire order-to-cash or purchase-to-pay business process. You will continue to have costly and error prone manual transactions (such as purchase order changes or acknowledgements, advance ship notices, ship status, or payment remittances) conducted by phone, fax, e-mail, and postal mail with electronically-enabled partners.

Companies are failing to automate transactions with the remaining 80 percent of their trading partners. This trend is often driven by the misconception that it is expensive and complex (and therefore, not worth the time, money, or effort) to enable those trading partners with lower transaction volumes. This failure may also be attributed to a lack of awareness of industry solutions that are focused on enabling these smaller partners with minimal incremental resource impact. However, it is even more likely that this failure is a result of companies not fully understanding the true cost of conducting manual transactions, and the impacts of manual transactions on customer satisfaction, margin erosion, visibility, and cycle times.

This white paper illustrates how Sterling Commerce solutions drive greater efficiencies, and improve the return on your B2B infrastructure investment. It explores a straightforward approach to how Sterling Commerce identifies opportunities to automate more transactions with your existing electronic partners, and how Sterling Commerce solutions simplify the assessment and onboarding of the remaining 80 percent of your manual trading partners.

1Pareto Principle: a theory that states for many phenomena 80% of the effects stem from 20% of the causes; also called 80-20 rule, Pareto's law. Source: http://www.dictionary.com

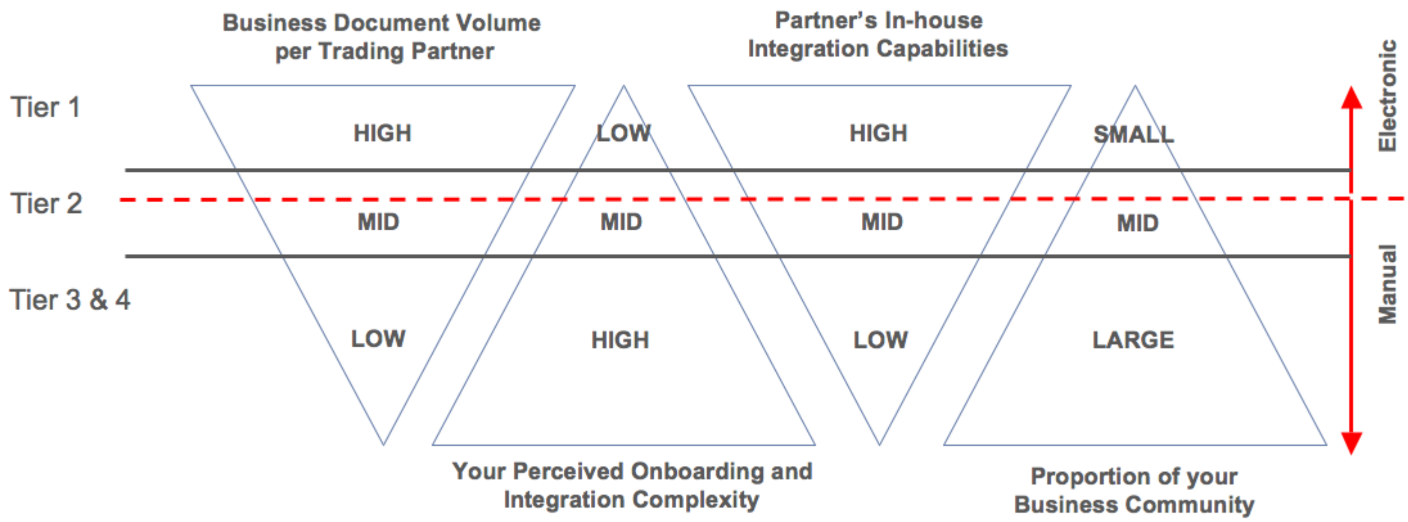


Figure 1:
Electronic Commerce Segmentation Trends: Value Assumption

Trading partner segmentation trends

The trading situation many companies have today is inefficient—companies pay for a service that they don't use, and adhere to the 80/20 rule; namely integrating and automating their connections with Tier 1 trading partners and few Tier 2 partners. Figure 1 shows the trend of B2B strategy segmentation, and how most companies believe it is not worth the time, money, or effort to integrate below the dotted line, with Tier 3 and Tier 4 partners.

Tier 1 trading partners characteristically trade large document volumes, and are easier to integrate with because they have a sufficient IT staff, and have invested resources to be electronically enabled. Tier 1 companies are often large organizations, industry leaders, and wield the most influence in the supply chain hierarchy. Tier 1 partners tend to be initiators of electronic commerce initiatives.

Most Tier 2 trading partners are moderate with respect to document volume per partner, integration complexity, capabilities, and representation within the trading partner community. Many Tier 2 partners communicate electronically, because they are required to do so by a Tier 1 partner. Most do not seek additional electronic relationships because they lack resources and awareness of alternative solutions.

In general, Tier 3 and Tier 4 partners are strictly manual and use phone, fax, e-mail, and postal mail. They are characterized by low document volumes, little or no integration capabilities, and a limited IT staff. Although they are perceived to be challenging to integrate, Tier 3 and Tier 4 partners represent the largest portion of the trading partner community. These partners confuse e-mail and fax with electronic commerce, failing to realize the manual intervention in creating, sending, receiving, and processing these documents.

Changing the behaviors of these Tier 3 and Tier 4 partners can be difficult. You need solutions that make it easier for them to do business with you, especially when it comes to business that involves their customers. However, your trading partners will be more easily convinced to change their behavior if there is something in it for them—discounts, favorable payment terms, or even the value proposition of greater visibility into their transactions.

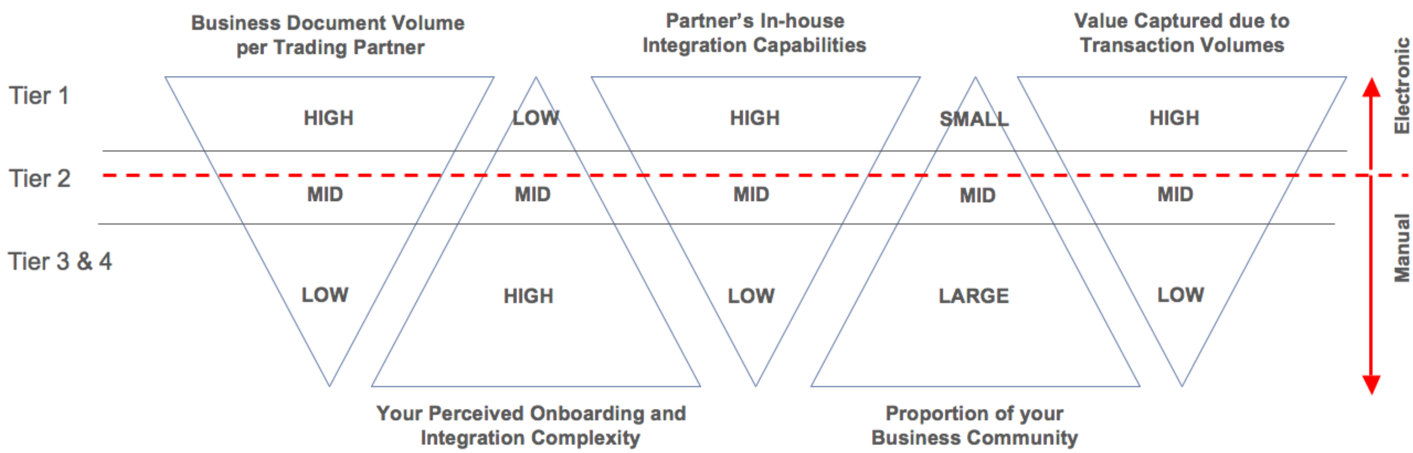


Figure 2:
Electronic Commerce Segmentation Trends: Value Captured

Why does this trend exist?
There are many contributing factors as previously highlighted; however, one of the most common explanations is that of value captured. In keeping with the previous framework, Figure 2 adds a fifth characteristic, Value Captured. Represented by an inverted triangle, it illustrates how the largest value can be captured with the smallest portion of the community (Tier 1), which remains in line with the 80/20 rule.

While this is a valid reason to choose Tier 1 trading partners as your starting point; it should not be considered the basis for a long-term electronic commerce strategy. This concept is most likely based on the consideration of cost-to-implement as it relates to effort, which is acceptable if you are onboarding and supporting these partners yourself. However, if you use a hosted or managed services provider, like Sterling Commerce, implementation can be accomplished with low cost, high value solutions without adding incremental IT resources.

An alternative perspective on this trend is displayed in Figure 3, where the fifth triangle is changed from value captured to implementation costs.

As shown in the diagram, the greatest investment is made during the initial setup of your B2B infrastructure. Over time, the average implementation costs go down and more value is returned. This may not be true if your strategy requires you to manage and support a direct connection for each trading partner. Regardless of how you choose to implement your top tier partners, you'll see the biggest savings—with the least amount of effort—by enabling the remaining partners using a network or managed service solution.

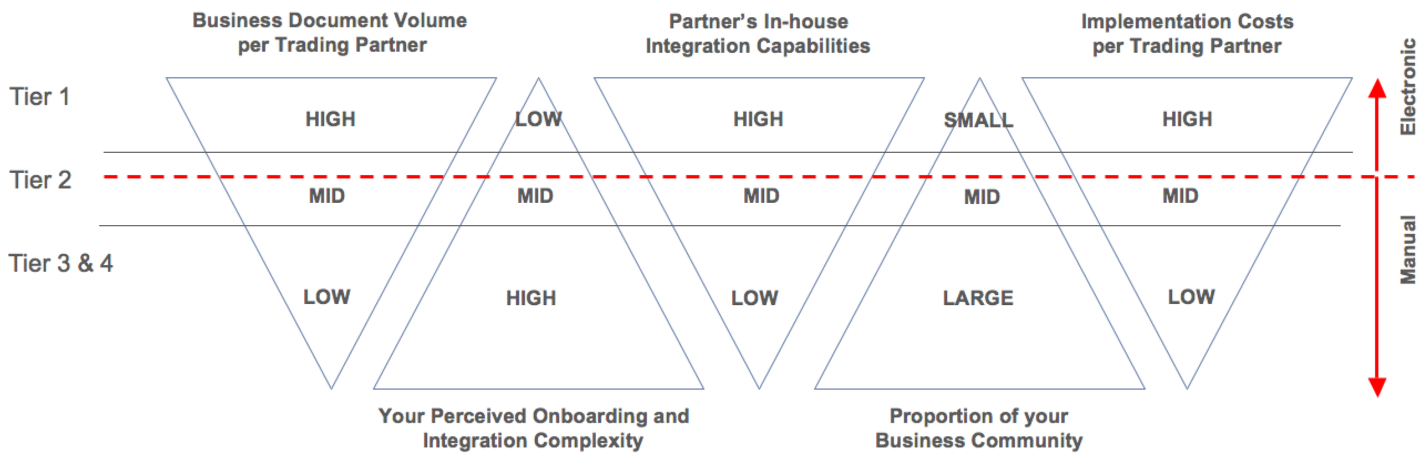


Figure 3:
Electronic Commerce Segmentation Trends: Implementation Costs

Is there value in automating small trading partners?
Assume the processing cost of a manual purchase order or invoice is $10:

- Tier 1 Trading Partners:
  100 Partners x 1000 Transactions x $10 = $1 million
- Tier 2–4 Trading Partners:
  1000 Partners x 100 Transactions x $10 = $1 million

The cost is in the manual processing of a document regardless of volume per customer.

Conclusion: Automation = improved cost savings and profitability

Fact or fiction
It is not worth the time, money, and effort to automate business processes with partners who fall below the dotted line.
Consider the one thing that is constant throughout all three of the previous figures—the cost to process a manual document. The following example compares the number of partners and document volumes for Tier 1 trading partners, versus Tier 2, Tier 3, and Tier 4 trading partners.

While the number of partners and the volume of documents are a major factor in terms of priority, the true cost of manual processing is in the process itself, not the volume. If the goal of electronic commerce with your partners is to reduce cost and increase revenues, there is a clear case for continuing to enable as many partners as possible.

The analysts' perspective on automation
In a recent report, Gartner commented on the seamless execution of business processes between two companies, stating that automating such business activities helps drive bottom-line revenue through reduced errors, reduced cost of operations, and faster process execution. While linking companies together over a common network brings efficiencies, it's apparent that improved multi-enterprise integration also drives top-line revenue by lowering automation barriers, improving customer and business partner satisfaction, and increasing 'stickiness' once automated processes and data exchanges are implemented.

Recent AMR research performed on behalf of Sterling Commerce found that 80 percent of the companies surveyed felt it was just as important to electronically collaborate with small partners as it was with large partners. That begs the question—what is holding them back? In a similar study from late 2006, AMR found that buyers and suppliers were not investing in B2B automation solutions with more trading partners because of their perception that the true cost of installation and maintenance (the true TCO) of a new solution was too high. They also thought that a new solution really meant new technology, people and processes, and that their budgets would not accommodate such costs. Together with the common misperception that B2B automation is too complex, it's clear that people don't understand the true costs and benefits of implementing B2B automation solutions.

AMR also found that the organizations that are investing in B2B automation are doing so to gain more efficient processing, reduced overhead, lowered transaction costs on the buy side, and improved customer satisfaction on the sell side. The companies know the benefit outweighs the cost.

Optimize Your B2B Investment with a Sterling Commerce B2B Community Assessment

Sterling Commerce provides proven strategies that optimize your cost savings, revenue potential, and visibility while maximizing your B2B infrastructure ROI and lowering your TCO. As a Sterling Commerce customer, you can request a professional assessment of your company's B2B community to better understand those areas where you are manually intervening with any and all of the business processes (for example, buying/selling, shipping/receiving, billing/paying), and the savings that result. A Sterling Commerce B2B community assessment includes a document expansion analysis in which opportunities for greater efficiency with your existing partners will be highlighted. Initial reports focus on the order-to-cash and procure-to-pay processes, but can be expanded to include any document that you are currently trading on the IBM® Sterling B2B Collaboration Network.

Strategy one: Optimize your current electronic trading relationships that are above the line

When a business process moves from end-to-end with no paper changing hands, and no manual intervention, the full benefits of B2B commerce can be realized. Cost savings, better profit margins, shorter cash-to-cash cycles, and competitive advantage are common results experienced by companies that convert trading partners to fully automated business processes.

The document expansion analysis provides four critical pieces of information that can lead to increased savings with your existing electronic community.

1. The number of partners capable of—but not—trading documents that you have already enabled with others, and the average number of documents that could be automated as a result. For example, if you are trading purchase orders (document 850) with most of your partners electronically, but only some partners are trading invoices (document 810), we can identify those partners currently trading invoices with others, but not you. The assumption is that these partners may be more willing to trade invoices with you since they are already capable and thus quicker to onboard. (See Figure 4: Sample Inbound Invoices.)

2. The number of partners that are electronic with you, but not currently capable of trading the specific document in question, and the average number of documents that could be automated if they were capable. These are the partners that are trading purchase orders with you but not invoices, and they are not trading invoices with anyone else on the Sterling B2B Collaboration Network, and thus are not recognized as currently capable for invoices.

3. Those documents that you have not enabled that have the greatest opportunity for adoption by your community. Specifically, this report provides you with the number of current electronic partners trading the proposed document with others, but not you. For example, if you're not trading Advanced Ship Notices (document 856) with your community, you could determine how many of your partners have this capability with other companies. The assumption is that your success will be higher with those documents with which you have the greatest number of partners already trading with others.

4. The potential savings from automation of documents. In the previous data points, the average number of documents to be enabled can be calculated and applied with either an internal cost that you provide for manual processing or an industry median processing cost based on Sterling Commerce and Forrester Consulting research. (See Appendix A: Median Industry Values for Manual Processing.) From this cost calculation we can estimate a potential savings from automation. This cost can be calculated manually, or with our B2B Automation Savings Calculator for a more in depth analysis that takes into consideration error rates and reconciliation costs.

Sample analysis of automation of inbound invoices from suppliers

The following example focuses on automating an invoice from suppliers. Let's say that you currently trade electronic invoices with 10 suppliers, yet there are 85 other suppliers in your community who have the ability to trade invoices—and are doing so with other companies. The number of documents that could be traded with the additional 85 suppliers is referred to as upside documents. A conservative cost-savings estimate of $5 per document (going from paper to electronic) means an estimated savings of $1.54M per month, with the additional 85 partners trading the 810 document. (307,700 x $5 = $1,538,500.) That is an estimated transactional savings of $18.5M per year. Additional savings may be recognized from prepayment discounts, the absence of late pay fees, and improved visibility of cycle times.

Figure 4:
Sample Inbound Invoices

Inbound 810 documents: Invoice	Average # for last 12 months
# of documents	36,200
# of trading partners trading	10
Average # of docs per trading partner	3,620
# of trading partners capable, but not trading*	85
Estimated # of upside documents	307,700

*Results are provided as aggregate potential documents and individual partner names cannot be divulged. However, by engaging with IBM® Sterling Community Development Services, and upon a receipt of your trading partner listing, a recruitment program can be developed and executed.

Sample analysis of automation of outbound invoices to customers

In this example you currently trade electronic invoices with 6 customers, however, there are 11 other customers in your community who have the ability to receive electronic invoices, and do so with other suppliers. The number of invoices that could be traded with the additional 11 customers is referred to as upside documents. A conservative cost-savings estimate of $5 per document (going from paper to electronic) means an estimated savings of $197K per month with the additional 11 customers trading invoices. (39,446 x $5 = $197,230.) That is a savings of $2.37M per year.

Figure 5:
Sample Outbound Invoices

Outbound 810 documents: Invoice	Average # for last 12 months
# of documents	21,520
# of trading partners trading	6
Average # of docs per trading partner	3,586
# of trading partners capable, but not trading*	11
Estimated # of upside documents	39,446

*Results are provided as aggregate potential documents and individual partner names cannot be divulged. However, by engaging with Sterling Community Development Services, and upon a receipt of your trading partner listing, a recruitment program can be developed and executed.

Companies can realize significant cost savings by implementing a new EDI document with trading partners (suppliers, customers, logistics firms, financial organizations, brokers and more) in order to realize greater efficiencies within the supply chain and reduce internal costs. Furthermore, this approach often yields greater trading partner penetration into the Tier 2 partner segment.

Strategy two: Enable your manual partners that are below the line

As previously mentioned, many companies believe that automating their smaller, Tier 2, Tier 3, and Tier 4 trading partners is not worth the time or effort due to the lack of technology, budget, and resources for onboarding small partners. This myth is usually perpetuated by a lack of information surrounding the actual cost of manual trading relationships, the potential savings, and the availability of solutions suitable for enabling many of these Tier 2, Tier 3 and Tier 4 trading partners. Understanding these costs and the associated savings potential is usually the first hurdle in enabling those partners below the line.

The following steps will position you to successfully execute your strategy to enable your lower tier trading partners.

Step 1: Build a case for enabling manual partners

As part of the Sterling Commerce B2B community assessment, a B2B automation savings report is created for you. This nine page report quantifies the potential savings associated with automating manual business processes and provides:

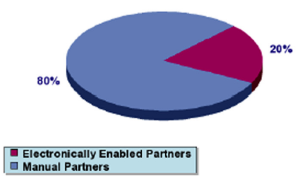
- Valuable insight into your manual processing costs and savings
- Analyst quotes to support your B2B automation business case
- Comprehensive assessments, complete with next steps for prioritization

The B2B Automation Savings Report focuses on the cost of manually processing order-to-cash and purchase-to-pay documents, and determines the best areas for automation efforts such as purchase orders, invoices, and shipment notifications.

In the following example, the B2B Automation Savings Report shows that a company with 600 trading partners; processing 80 percent of its transactions manually each year, spends as much as $1.1 million per year in transaction costs alone. The savings assumption from Forrester Consulting is that companies can conservatively save 20 to 50 percent of their manual transaction costs through automation, and derive significant savings.

Figure 6:
Sterling B2B Automation Savings Report Sample

Company Name: **Your Company**
Number of Trading Partners: **600**
Manual Partners: **480**
Percent Manual: **80 %**



A fully optimized order-to-cash process allows for near-automated purchase orders, timely shipment notification, and electronic invoicing and payment, all of which will reduce supply-chain costs and in turn increase profit margins. With this detailed information, you can determine the best areas to focus your automation efforts.

The following transaction detail is based on your input into the B2B Automation Savings Calculator and represents the estimated expenditure for processing manual documents and transactions related to the order-to-cash or purchase-to-pay process at Your Company. To review your input values, see Appendix A.

Your Company's estimated manual processing costs

	Monthly Manual Transactions	Monthly Cost to Process Manual Transactions	Annual Manual Transactions	Annual Cost to Process Manual Transactions
Orders	2,400	$ 36,480	28,800	$ 437,760
Invoices	2,400	$ 41,760	28,800	$ 501,120
Payment Remittances	1,920	$ 33,120	23,040	$ 397,440
Other Documents	0	$ 0	0	$ 0
TOTAL	**6,720**	**$ 111,360**	**80,640**	**$ 1,336,320**

According to a commissioned study conducted by Forrester Consulting on behalf of Sterling Commerce Inc., companies that automate core business processes can realize between 20-50% cost savings. This is a large range and results will likely vary by company; therefore, your potential savings has been calculated at intervals of 50 percent, 35 percent and 20 percent.

Your Company's potential savings from process automation

Your Estimated Annual Cost to Process Manual Documents		**$ 1,336,320**
If you have a high cost structure then you could save:	50%	$ 668,160
If you have an average cost structure then you could save:	35%	$ 467,712
If you have a conservative cost structure then you could save:	20%	$ 267,264

Sterling Commerce believes savings estimates to be on the low end when compared to actual savings from Sterling Commerce customers, which are higher than the suggested 50 percent savings. Additionally, the speed at which you realize these savings is dependent on the solution you choose, and the time it takes to electronically enable your trading partners. Will you enable them internally, or outsource the recruitment and enablement to Sterling Commerce?

Forrester Research has found that the key benefits associated with moving from manual to automated information exchange systems are:

- Improved productivity
- Shorter cycle times
- Lower processing costs
- Improved customer service

Source: "Justifying B2B Integration," Forrester Research, Inc., February 9, 2007.

Step 2: Determine your strategy

When determining your strategy, consider the following key factors:

Behavior Changes—Will your solution require a behavior change, and will you use incentives, mandates, or formal requests for compliance?

What behavioral change do you want your small manual partners to make, and is the change beneficial to them? The more change you request from your partners, the greater the associated benefit you need to provide. Some successful benefits include:

- Discounts for electronic orders
- Better payment terms for customers or faster payment to suppliers
- Improved or guaranteed delivery/promise dates
- Increased visibility into the larger order/supply chain
- Improved supplier ratings

Small changes are easy to implement, and can mean big savings for you. For example, asking a customer who faxes orders to switch to a fax-to-EDI conversion service is a small change. They just have to put a new number in their fax machine memory, and change their fax form. For you, it eliminates costly and time-consuming manual processing.

Customers vs. Suppliers—Will you focus on customers or suppliers, and which of the two would be more willing to change their business processing behavior for you?

They may be small customers; but they are your customers, and they can impact your business, your reputation, and possibly your bottom line. Don't shake the big stick of a requirement or mandate, unless you have no alternative, and include an incentive.

Suppliers on the other hand, serve you as the customer, and will be more likely to comply with your request, as long as your solution can be easily implemented and managed without substantial costs and complexity.

Document Type vs. Communications Format—Will you focus on a particular document, or a particular communication format, such as e-mail or fax?

What is your reason for electronic enablement? Ordering efficiency? Purchasing efficiency? Transaction cost reduction? Knowing your priorities will lead you to the right documents. Purchase orders and invoices have the highest cost to manually process, and often contain the greatest number of errors. For that reason, they are usually the first documents to be automated.

Communications formats are an easy way to segment your manual partners.

- Fax—Partners who send and receive faxes are prime candidates for a fax conversion service. Their behavior is not impacted, yet you receive the benefits. Convert inbound fax orders from your customers to EDI, or have your outbound orders converted from EDI to fax, and delivered to your suppliers. Either way, the impact is low and you reap the savings from automation.

- E-mail—Customers who exchange documents by e-mail, have Internet access. They may be willing to use Web forms instead of e-mail. You can choreograph the ordering process to reduce errors, or enforce business rules that result in greater accuracy and shorter cycle times.
- Phone and Postal Mail—Do you really know your partner's capabilities? It is possible they are already doing business electronically? Are they are sending you electronic purchase orders, but you are mailing them invoices?

Hub Sponsor vs. Spoke Paid—Will you sponsor the cost of enablement for your trading partner, or require them to pay?

When choosing a solution, determine whether or not you will absorb the cost of enablement or pass this on to your trading partners. The cost of enablement is often a reason why smaller companies choose not to comply with e-commerce initiatives. You may be surprised to find that in many cases, it may actually be less expensive for you to sponsor a trading partner versus continuing to process documents manually. Examples of hub sponsorship can be illustrated with sponsored Web Forms communities, or Fax Conversion services.

Step 3: Select a solution for manual partner enablement

These days, there are many options available to companies for electronic compliance. Assuming you don't require your partners to purchase B2B software or contract with a service provider, a few key options remain.

IBM® Sterling Web Forms—A Web portal for your trading partners that only requires a Web browser. Sterling Commerce provides the solution, Sterling Web Forms—a secure Web site that allows you and your trading partners to create and exchange business documents electronically over the Internet, extending business-to-business capabilities to your partners regardless of their size or technical expertise. This solution can be billed directly to your partners, or you can sponsor and pay for their use. The sponsor model is becoming more popular, as companies realize the overall savings generated by automating these manual transactions. Sterling Web Forms is great for ensuring perfect orders, and choreographing defined processes to ensure that they are properly executed with the required documents.

IBM® Sterling Fax Conversion Services—Provides a safe, efficient way to convert incoming fax, e-mail, and paper-based transactions into electronic transactions that can be passed directly to your backend systems for processing. Beyond the benefits related to reducing errors, processing time, and processing costs, this solution is also low-to-no impact on your trading partners' current behavior—they continue to send faxes and you reap the benefits. Sterling Fax Conversion Services has a very high success rate with its automatic enablement and minimal impact on internal IT resources.

IBM® Sterling Community Development Services—Enable more business processes with existing electronic partners, and onboard new partners regardless of their size or technology capabilities.

- **Recruit new partners easily.** Community management experts research your partners' capabilities and likelihood of complying with your B2B initiatives. Conversion assistance is provided for your business partners with the migration of existing EDI traffic from your current VAN (value-added network) to the Sterling B2B Collaboration Network.
- **Offer onboarding solutions for any size partner.** We offer solutions that work for any size business partner. We can convert incoming faxes to EDI or XML, comply with AS2 mandates, and provide translation and mapping services. Sterling Web Forms enables document exchange over the Internet.
- **Ensure successful trading with new partners.** Communication and data-verification tests ensure successful trading and ongoing operations.

Step 4: Implement best practices for success

For over 30 years, Sterling Commerce has been providing secure connectivity and collaboration to more than 30,000 customers across the globe, and across all industries. Based on our knowledge and experience, the following best practices are proven to be reliable in leading to B2B success.

- Start with small behavior or process changes that your customers can make—the smaller the change, the higher the adoption. Technology enables small behavior changes on the customer and supplier side to feed into automated processes.
- Offer a compelling benefit that answers their question, "Why should I change the way I do business?" By offering a value-driven business reason to change, you can implement automation, and make things easier for everyone.
- Educate your customers. Let them know what you want to do, why you want to do it, and how it will benefit them. (See Appendix B, Benefits by Document.)
- Walk them through the process. Even small changes seem larger when you are on your own.

Moving forward

You should now have a better understanding of the true cost of manual transactions, the benefits of automation, and identifying opportunities to automate with all of your trading partners. Sterling Commerce can help you drive greater efficiencies by:

- Automating more of your business documents
- Implementing solutions that increase partner participation without requiring substantial partner investment, expertise, or behavioral changes
- Providing solutions that ease the resource burden of onboarding additional documents and partners
- Leveraging your existing investment to deliver more savings to your bottom line

Sterling Commerce has the knowledge, experience, and tools to position you to successfully execute your B2B strategy.

For a Sterling Commerce B2B community assessment
Contact Sterling Commerce. Include your name, e-mail address, phone number, company name, and billing account ID. If you do not have a billing account ID, contact us and we will confirm that we have the latest information for your organization. You can also generate a B2B automation savings report using our online calculator at http://www.sterlingb2bautomation.com/

Appendix A

Median Industry Values for Manual Processing

If you are unsure of the exact values to calculate your savings, you may choose to load the following values based on research performed by Forrester Consulting and Sterling Commerce.

		Median Industry Cost
Manual processing cost for Orders*		$ 10.10
Manual processing cost for Invoices*		$ 12.35
Manual processing cost for Payment Remittance*		$ 12.35
Other docs (ASNs, acknowledgments, etc...)**		$ 10.00
Error Rate**		10%
Reconciliation cost per error*	Labor	$ 33.50
	Materials	$ 20.00
	Total Cost	$ 53.50

* The source for the median values associated with manual processing costs and error reconciliation costs are from a commissioned study conducted by Forrester Consulting on behalf of Sterling Commerce.
** Sterling Commerce recommendation based on 30 years experience

Appendix B: Benefits by Document Type

Benefits of Electronic Purchase Order (850)

Benefits to Sender

- Reduced inventory
  - Order processed faster by receiver
  - Order fill rates improve
- Inbound shipments are entered into inventory faster due to reduced exceptions
- Increased revenue
  - Reduced lost sales due to stock outs
- Increased efficiency
  - Decreased manual processing
  - Fewer errors
  - Free up warehouse staff due to reduced returns
  - Free up accounts payable staff due to avoiding pricing exceptions

Benefits to Receiver

- Free up order processing staff due to reduced manual effort in order processing required to:
  - Handle paper/phoned-in order
  - Manually process order
  - Address exceptions created by manual processing/key-entry
- Improved customer service
  - Reduced order processing cycle time
  - Improved order fill rates
- Increased efficiency
  - Decreased manual processing
  - Fewer errors due to rekeying
    - Free up warehouse staff which previously had to handle returns
    - Free up accounts receivable staff due to reduced invoice pricing exceptions

Benefits of Electronic PO Acknowledgement (855)

Benefits to Sender

- Improved customer service
  - Provide advance notice of short-ships, out-of-stocks, back-orders, substitutions, etc.
- Increased efficiency
  - Reduced manual handling of order status calls from customers

Benefits to Receiver

- Increased revenue
  - Have the ability to pre-act due to accelerated notification of shipping exceptions
  - Reduced lost sales due to stock outs
- Reduced buyer intervention due to opportunity to automate the reconciliation of order content with intended order fulfillment content and shipping date
- Increased efficiency
  - Decreased manual processing
  - Fewer errors

Benefits of Electronic PO Change Requests (860)

Benefits to Sender

- Receive products more quickly
  - Reduce the amount of time it takes the receiver to adjust to the new information
- Increased efficiency
  - Decreased manual processing
  - Fewer errors
- Reduced inventory
  - Order processed faster by receiver
  - Order fill rates improve
- Audit trail

Benefits to Receiver

- Improved customer service
  - Reduced order processing cycle time
    - Quickly determine where the order is in the order fulfillment process
    - Quickly halt that process
    - Easily adjust to and accommodate the change
    - Improved order fill rates
- Increased efficiency
  - Decreased manual processing
  - Fewer errors due to rekeying
    - Free up warehouse staff which previously had to handle returns resulting from manual order processing errors

Benefits of Electronic Advance Ship Notice (856)

Benefits to Sender

- Improved customer service
  - Providing customer with advance notice of short-ships, out-of-stocks, back-orders, substitutions, etc.
- Reduced charge backs previously caused by inaccurate shipments
- Increased efficiency
  - Decreased manual processing
  - Fewer errors due to rekeying
    - Free up customer service staff due to reduced shipment exception inquiries
    - Free up warehouse staff which previously had to handle returns

Benefits to Receiver

- Accelerated notification of shipping exceptions
  - Able to pre-act and avoid stock outs, short-ships, and out-of-stocks
- Preplan the receiving of product
- Reduced inventory
  - Improved product receipt
  - Improved inventory stocking cycle time
  - Improved order fill rates

Benefits of Electronic Invoices (810)	
Benefits to Sender	**Benefits to Receiver**
• Improved cash flow due to earlier receipt of payments • Increased efficiency – Decreased manual processing – Fewer errors • Free up accounts receivable staff due to avoiding pricing exceptions	• Earned discounts due to ability to process and pay invoice within discount period • Free up accounts payable staff previously required to: – Handle paper invoice – Manually process the invoice – Address exceptions created by manual processing • Increased efficiency – Decreased manual processing – Fewer errors

Benefits of Electronic Remittance Advice (820)*	
Benefits to Sender	**Benefits to Receiver**
• Reduced costs to generate the payment • Free up accounts payable staff due to reduced time spent: – Generating payments – Explaining reasons for payment amounts	• More rapid reconciliation of payments to receivables • Free up accounts receivable staff due to reduced time spent: – Reconciling payments with receivables – Finding exceptions – Obtaining explanations for discrepancies between amounts owed and amounts paid

*Assumes that the remittance advice is used to trigger electronic funds transfer between the payer and payee.

About Sterling Commerce

Sterling Commerce, an IBM® Company, helps organizations worldwide increase business agility in their dynamic business network through innovative solutions for selling and fulfillment and for seamless and secure integration with customers, partners and suppliers. More information can be found at **www.sterlingcommerce.com.**

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