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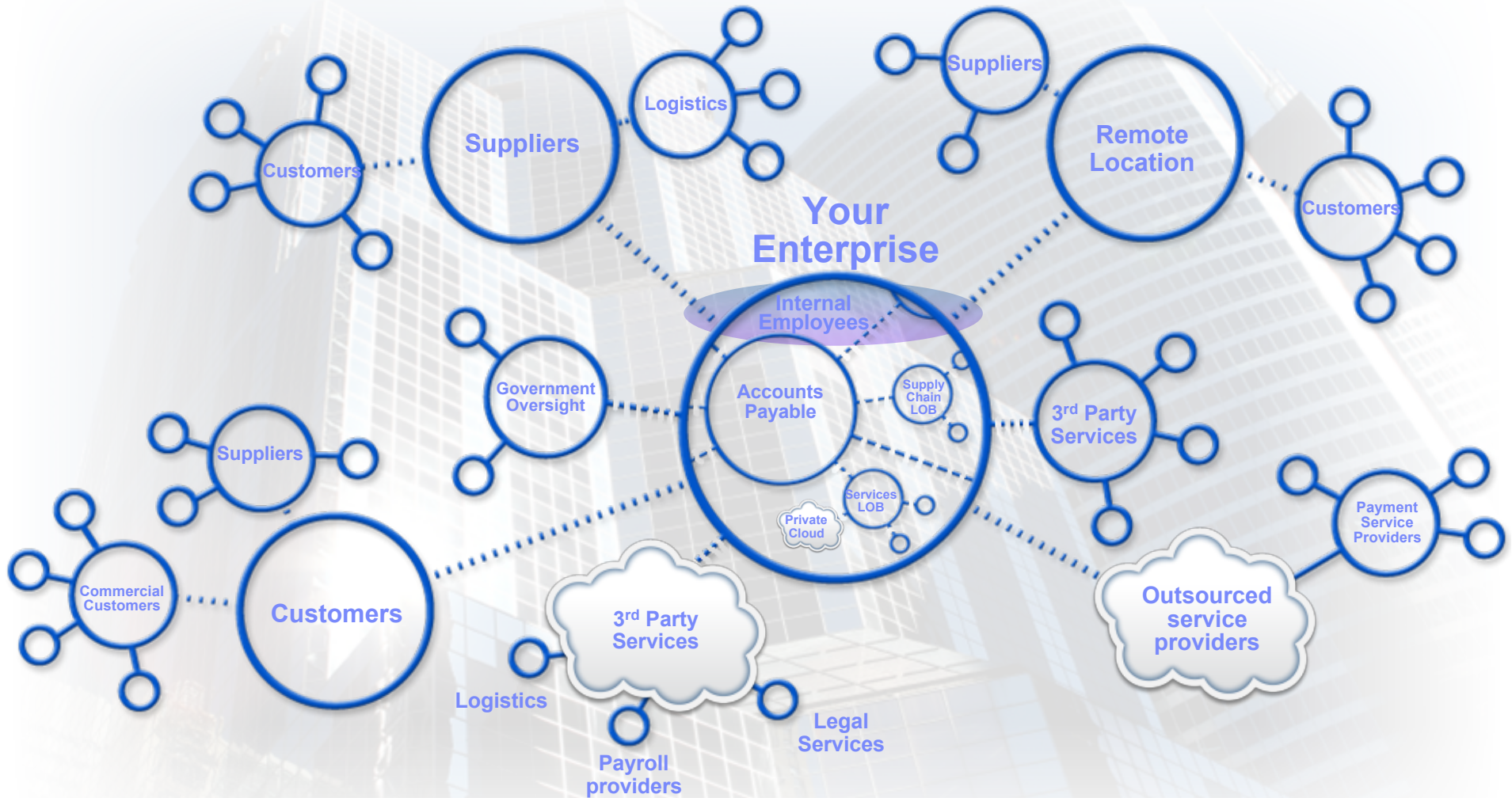# Best Practices for Managing Your Community of Partners

Agenda

It's Time to Rethink Your B2B Strategy

Optimizing your Trading Community

Enabling your Trading Community
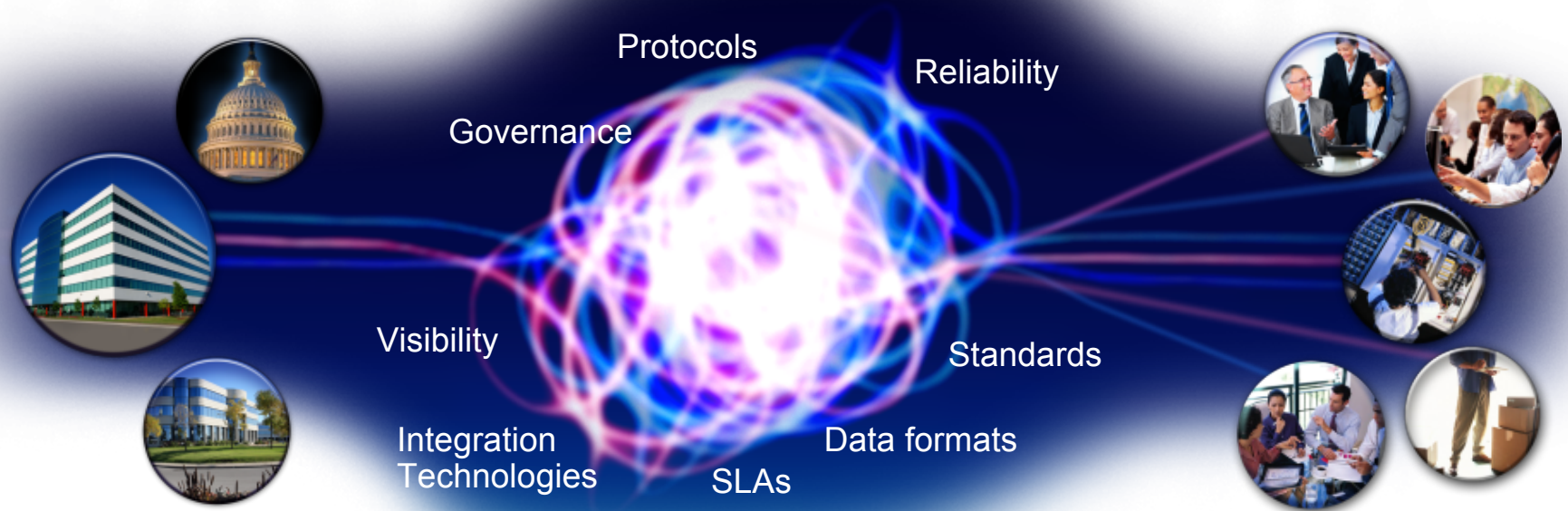
Value of your Automated Trading Community

Successful Customer and Partner Engagement Depends on Agile Business Networks

However, Companies Across All Industries are Facing Increasingly Complex B2B Integration Problems

Multi-Enterprise Organizations

Trading Partners

Protocols

Reliability

Governance

Visibility

Standards

Integration Technologies

Data formats

SLAs

The need to be globally integrated is driving an expansion of ecosystems and the number of partners organizations transact with.

Causing Companies to Struggle

93%

of businesses do not believe they can **innovate faster** than their competitors.

87%

of businesses do not believe they are effectively reaching their customers through **digital channels.**

68%

of executives report that integration challenges impede **collaborative relationships** with partners.

Without integration you can't analyze, you can't change, you can't innovate

Too Many Companies are Unable to Respond to New Business needs

Most serious technical problem:

63%   Difficulty in effectively responding to new business requests

Major business issue:

76%   Need for increased business agility

Base: 300 senior IT managers from North American, EMEA, and Asia Pacic regions
Source: "The State of B2B Integration", Forrester Research, Inc, July 2010

It is Time to Re-think Your B2B Strategy

- **Better align with business initiatives:**
  - Acquisitions
  - Grow & retain through service differentiation
  - Expand into new markets

- **Improve customer service:**
  - Meet service-level agreements
  - Increase levels of automation

- **Improve process efficiency:**
  - Decrease cycle times
  - Automate more partners
  - Partner scorecard & visibility
  - Reduce process variability
  - Modernize & improve reliability of mission critical systems

- **Skills shortages & pending retirements**

To Achieve Agile B2B, You Need to Address These Business Challenges

Increasingly complex and diverse business partner communities

Too many costly error-prone manual business processes

Lack of real-time business process visibility

Limited resources focused on B2B

Companies Need Comprehensive B2B Integration Capabilities in Order to …

Reduce the time and complexity of securely and flexibly integrating 100% of partner communities

Seamlessly automate and extend internal business processes to external partners

Provide visibility into actionable information across key IT and business processes

Accelerate the ROI of B2B projects and use their internal resources where they need them most

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What are Your Trading Partners Capable of...

- Do you actively conduct surveys of your partners to determine if they are capable of trading electronically?

- How often do you go back and re-survey your partner base to find out if they are now enabled to trade a particular document electronically?

- Don't feel bad if you are not conducting surveys

- Recent Aberdeen survey reveals…
  - Only 67% of the Best-in-Class companies conduct surveys of their supplier base
 - Only 47% of all other category respondents conduct surveys

Source: "B2B Integration and Collaboration, Trading Partner Enablement for Multi-Enterprise Supply Chains" Nari Viswanathan, Aberdeen Group, March 2010

Strategies to Optimize Your Trading Partner Community

- **More documents with currently enabled trading partners**
  - Document Expansion:
    - Trade with those capable but not trading with you today
    - Introduce new documents to your community

- **Expand to partners who can communicate electronically but aren't**
  - Trading Partner Expansion
    - Survey your partners to find:
      - Those that are automated, but not with you
      - What their capabilities are and willingness to automate

- **Provide tools to enable partners who can't communicate electronically**
  - Automate your manual partners
    - Email, phone, and mail

Sample Trading Community Assessment

- *"Your Company"* is a large global manufacturer utilizing a VAN for parts of its Order-to-Cash and Purchase-to-Pay processes…

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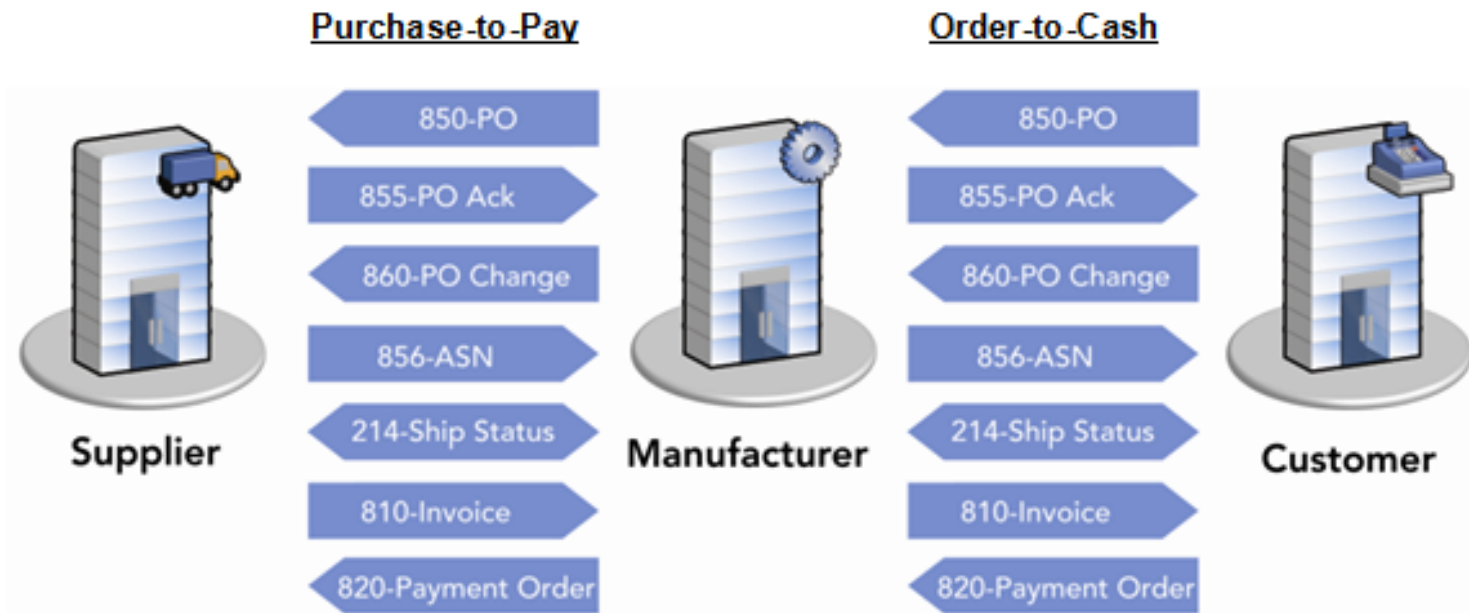
How Does *"Your Company"* Compare to Other Manufacturers?

Manufacturing Purchase-to-Pay							
	Send PO	Receive PO Ack	Send PO Change	Receive ASN	Received Ship Status	Receive Invoice	Send Remittance Advice
	850	855	860	856	214	810	820
Industry Average*	27%	13%	7%	21%	22%	25%	12%
Your Company	Yes	No	No	No	No	No	Yes
Manufacturing Order-to-Cash							
	Receive PO	Send PO Ack	Receive PO Change	Send ASN	Send Ship Status	Send Invoice	Receive Remittance Advice
	850	855	860	856	214	810	820
Industry Average*	87%	50%	60%	83%	2%	90%	65%
Your Company	Yes	Yes	Yes	Yes	No	No	Yes

Opportunities exist for greater optimization of both processes

*Comparison is based on *"Your Company's"* network usage of over 500 manufacturers using the Sterling Collaboration Network

What is Manually Trading Costing You Today?

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

Automating Invoices Can Save Real Dollars

- Assume $10 cost per manually processed invoice

- Assume conservatively a $5 savings per automated document

- Your total upside with current partners and current documents:
  - 2000 invoices* $5 savings = potential Savings
  - 2000 * $5 = $10,000/month
  - What if I can only get 50% of partners: $5,000/month
  - What if I can only get 25% of partners: $2,500/month

- Does not include related savings created from:
  - Incremental visibility
  - Incremental revenues
  - Reduced cycle times
  - Increased customer satisfaction
  - Etc….

Automation Strategies for Manual Trading Partners…

- **Step 1: Build a Case for Enabling Manual Partners**
  - What suggestions can we offer
  - Conduct your own internal assessment
  - Compare yourself to industry averages and best-in-class
  - Seek out paper intensive processes

- **Step 2: Determine Your Strategy**
  - Behavior changes
  - Customers vs. Suppliers
  - Document type vs. Communication type
  - Hub Sponsor vs. Spoke Paid

- **Step 3: Select a solution for Manual Partner Enablement**
  - Supplier Portal/Web Forms
  - Fax Conversion Services
  - Community Development Recruitment Services

- **Step 4: Implement Best Practices for Success**
  - Measure yourself, establish a baseline
  - Revisit annually and seek incremental YOY improvements

Is There Value in Automating Small Trading Partners?

- Assume the processing of an order or invoice costs $10
  - 100 partners x 1000 transactions x $10 = **$1M**
  - 1000 small partners x 100 transaction x $10 = **$1M**

- *The cost is in the manual processing of a document, regardless of volume per partner*

- **Automation = improved cost savings & profitability**

B2B Automation Savings Calculator
Assessing "*Your Company's*" Potential Savings

- Demonstrates the potential savings associated with automating manual business processes (phone, fax, email, mail)
  - Provides an in-depth calculation that includes your cost information or industry medians for cost and error rates

- Custom B2B Automation Savings Report that provides:
  - Valuable insight into your manual processing costs and savings
  - Analyst quotes to support your B2B automation business case
  - A comprehensive assessment, complete with next steps

- B2B Automation Calculator
  http://www.SterlingB2BAutomation.com

B2B Automation Savings Calculator

Sterling Commerce
An IBM Company

B2B Automation Savings Calculator

Step 1: Tell Us About Your Trading Community

How many B2B customers, suppliers, and partners do you have? `50`

What percentage of your trading partners still exchange information with you via phone, fax, or postal mail? `50` %

How many trading partners can you electronically enable each month, on average? `2`

Tip
Roll over questions on this page for additional explanation and help.

Success Story
"We saw a real opportunity to transform our business processes through re-engineering, workflow automation, and collaboration. This wasn't just an IT initiative – it was a business initiative.

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B2B Automation Savings Calculator

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B2B Automation Savings Calculator

Step 2: Tell Us About Your Process Volumes and Costs

	# of monthly transactions per trading partner	Manual processing cost per transaction	Estimated error rate (%)	Estimated reconciliation cost per error
Orders	10	$ 10.10	10.00	$ 53.50
Invoices	10	$ 12.35	10.00	$ 53.50
Remittances	5	$ 12.35	10.00	$ 53.50
Other Documents	20	$ 10.00	10.00	$ 53.50

> View / Load Industry Averages

Tip

Roll over questions on this page for additional explanation and help.

> **Industry Averages**

Analyst Perspective

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

> **Read More**

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B2B Automation Savings Calculator

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B2B Automation Savings Calculator

Executive Summary

Your Manual Costs and Potential Savings...			
Estimated manual processing costs per year:			$213,600
Potential automation savings per year ranges 20-50% :	$42,720	-	$106,800

Realize these savings in less time...	
If you onboard remaining partners yourself at 2 / month, it would take:	13 Month(s)
If Sterling Commerce onboards these partners, it would take:	1 Month(s)
Manual processing costs incurred during your 13 month onboarding phase:	$121,000
Manual processing costs incurred during a 1 month onboarding phase:	- $18,000
Costs savings realized during implementation by using Sterling Commerce to onboard:	$103,000

From a commissioned study conducted by Forrester Consulting on behalf of Sterling Commerce

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Agenda

It's time to rethink your B2B Strategy

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Value of your Automated Trading Community

Goals for Your the B2B Community Assessment

- Maximize your cost savings, revenue potential, and visibility while optimizing your B2B infrastructure ROI by:
  - **Identifying opportunities and the savings** associated with automating more of your business documents
  - **Increase partner participation** without requiring substantial partner investment, expertise or behavioral changes
  - **Ease the resource burden** often associated with onboarding additional documents and partners
  - **Deliver more savings** to your bottom line with your existing investments

First things First:
What are the Most Important Documents for You and Your Partners?

- **Expand current electronic base:**
  - Customers:
    - Orders & Shipments
    - Order Changes
    - ASN(S)
    - Invoices
    - Remittance Notices
  - Suppliers:
    - Purchase Orders & Changes
    - PO Acknowledgement
    - Receipts
    - Invoices with PO Flip
  - Financial Partners:
    - ACH Transactions
    - Wire Transfers
  - Other Trading Partners (e.g., Third Party Logistics):
    - Orders and shipments
    - Inventory Status
    - Receipts

Determine Your Strategy

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

- **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?

Determine Your Strategy

- **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
    - Email
    - Mail (do you know their capabilities?)

Determine Your Strategy

- **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
    – Cost is often a reason why smaller companies choose not to comply with e-commerce initiatives
    – It may actually be less expensive for you to sponsor a trading partner versus continuing to process documents manually

Know What Each Partner is Capable of:

- Survey each member:
  - Technical capabilities
  - Transactions performed
  - Standards supported
  - Protocols supported
  - VAN(s) used
  - Etc.

- Identify additional transactions that can be done with current electronic partners:
  - Information via partner transactions with other companies
  - Polling of partners for ability
  - Polling of partners for willingness

- Identify large pockets of paper internally
  - Internally at your company

- Poll partners where large pockets of paper exist to determine ability

- *Your goal is to make it as easy for the partner as possible; so, you want to know every alternative*

Choose a Solution

- **Supplier Portal/Web Forms:**
  - Best for suppliers, but also an option for customers
  - Only an Internet connection and browser are required
  - Requires some behavior changes, but may be viewed as easier
  - Increases chances of perfect orders through business process choreography and orchestration
  - Hub paid or spoke paid options

- **Fax Conversion Services:**
  - No behavior change
  - High success rate with low IT impact

Choose a Solution

- **In-Network Translation Services**
  - Allow partners to send any file format and have it delivered to you in the format you require

- **Enlist a partner for Community Development Services**
  - Enable more business processes with existing electronic partners, and onboard new partners regardless of their size or technology capabilities:
    - **Survey and recruit new partners easily**— Community management experts research your partners' capabilities and likelihood of complying with your B2B initiatives
    - **Ensure successful trading with new partners**— Communication and data-verification tests ensure successful trading and ongoing operations

Implement Best Practices for Success

- **Start with small behavior or process changes** that your partners 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 business 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.

- **Take time to educate them.** Let them know what you want to do, why you want to do it, and how it will benefit them.

- **Walk them through the process**. Even small changes seem larger when you are on your own.

Agenda

It's time to rethink your B2B Strategy

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Value of your Automated Trading Community

The Value of Automation

- Electronic connectivity creates compelling results:

Administrative savings from:

- Lower transaction costs
- Fewer data errors
- Fewer invoice discrepancies

Improvements in key performance metrics:

- Reduced out-of-stocks at customer/retail location
- Increase in perfect order percentage
- Reduced inventory holding costs/lower safety stock requirements
- Faster order-to-cash cycle time
- Increased customer satisfaction

"B2B Collaboration: Assessing the ROI of Process Integration," Nari Viswanathan, Aberdeen Group, July 2006.

The Value of Electronic POs

- 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

- Receiver
  - Free up order processing staff from manual efforts:
    - 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 re-keying
    - Free up warehouse staff which previously had to handle returns
    - Free up accounts receivable staff due to reduced invoice pricing exceptions

The Value of Electronic Advance Ship Notices (ASNs)

- 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 re-keying
    - Free up customer service staff due to reduced shipment exception inquires
    - Free up warehouse staff which previously had to handle returns

- Receiver

  - Accelerated notification of shipping exceptions
    - Able to pre-act and avoid stock-outs, short-ships, and out-of-stocks

  - Pre-plan the receiving of product

  - Reduced inventory:
    - Improved product receipt
    - Improved inventory stocking cycle-time
    - Improved order fill rates
    - Free up warehouse staff which previously had to handle returns
    - Free up accounts receivable staff due to reduced invoice pricing exceptions

The Value of Automation

- Companies using more electronic connections with customers and suppliers have:
  - 13% shorter days sales outstanding (DSO)
  - 37% shorter cash-to-cash cycle times
  - 19% lower total supply chain costs (including manufacturing), which translates to a whopping 5% of revenue!

- And they are:
  - 1.3 times more likely to conduct post-onboarding surveys to identify B2B integration and collaboration involvement
  - 2.2 times more likely to have the ability to measure supplier performance over a period of time
  - 1.7 times more likely to have the ability to adhere to customer metrics requirements over a period of time

Next Steps...

- **Establish manual cost of trading documents**
  - Use the B2B Automation Savings Calculator

- **Look for those large piles of paper within your company**

- **Survey existing partners who you are already electronically trading with and determine what other documents can be traded electronically**

- **Survey manual partners:**
  - Determine capabilities
  - Identify those partners suitable for Portal/Web Access
    - Those sending emails today are a good candidate
  - Identify those partners suitable for Fax conversions
    - Sending faxes today

- **Show the business where you can improve the overall process and save money**

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How Sterling Commerce Can Help Optimize Your B2B Relationships

- ***Pinpoint More Transactions.*** Professional assessment services determine additional transaction opportunities that you can automate

- ***Identify Current Partner Capabilities.*** A custom survey of your community provides a clear picture of your trading partners' capabilities

- ***Enable and Expand Capabilities.*** Using the survey results, we work with your partners to enable and roll out those transaction sets

- ***Build and Expand Your Community.*** Sterling Commerce develops a comprehensive recruitment plan to permit profitable growth

- ***Ensure Maximum Efficiency*** through thorough testing of new documents with new trading partners

- ***Trade With Anyone.*** Sterling Commerce helps automate your B2B processes so you can trade with any supplier electronically — regardless of file type — eliminating costly manual paperwork

Resources

- B2B Automation Calculator
  http://www.SterlingB2BAutomation.com

- IBM Sterling Community Development Services
  http://www.sterlingcommerce.com/products/b2b-integration/community-development-services/ComDevSvcs.htm

- IBM Sterling Integration Services
  http://www.sterlingcommerce.com/products/b2b-integration/b2b-managed-services/

- IBM Sterling Supplier Portal
  http://www.sterlingcommerce.com/products/multi-channel-fulfillment/supply-chain-visibility/supplier-portal.htm

- IBM Sterling Fax Conversion Services
  http://www.sterlingcommerce.com/products/b2b-integration/fax-conversion/FaxConversion.htm

- Papers and case studies on B2B Integration and Collaboration
  http://webapps.sterlingcommerce.com/edi-essentials/

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Questions?