IBM

EDI Services links suppliers to IBM Accounts Payable via the Web

IBM National Accounts Payable Services is one of the largest payable organizations in the world, processing more than 2.8 million invoices a year and disbursing more than $25 billion annually to suppliers across the United States.

Today, more than half of those transactions are handled electronically through Electronic Data Interchange (EDI) between IBM and its large suppliers. Using IBM EDI Services from IBM Global Services, National Accounts Payable and its high-volume trading partners now have an end-to-end e-business solution – from electronic purchase order to electronic funds transfer payment.

"We started EDI more than 10 years ago as a way to get to a paperless environment. In that time, we've found it's very easy to do with our high-volume suppliers," recalls Bob Hughes, manager of IBM National Accounts Payable Services. "These are companies that

typically have the IS skills needed to implement EDI, along with the transaction volumes to make it cost-effective."

At the other end of the spectrum, IBM implemented a purchase card program to eliminate the paperwork involved for low-dollar-amount purchases and for paying small suppliers who can be exempted from procurement procedures. Working much like a credit card, the program allows IBM employees to make purchases – for example, last-minute supplies for a business show – and have IBM billed electronically by the purchase card provider.

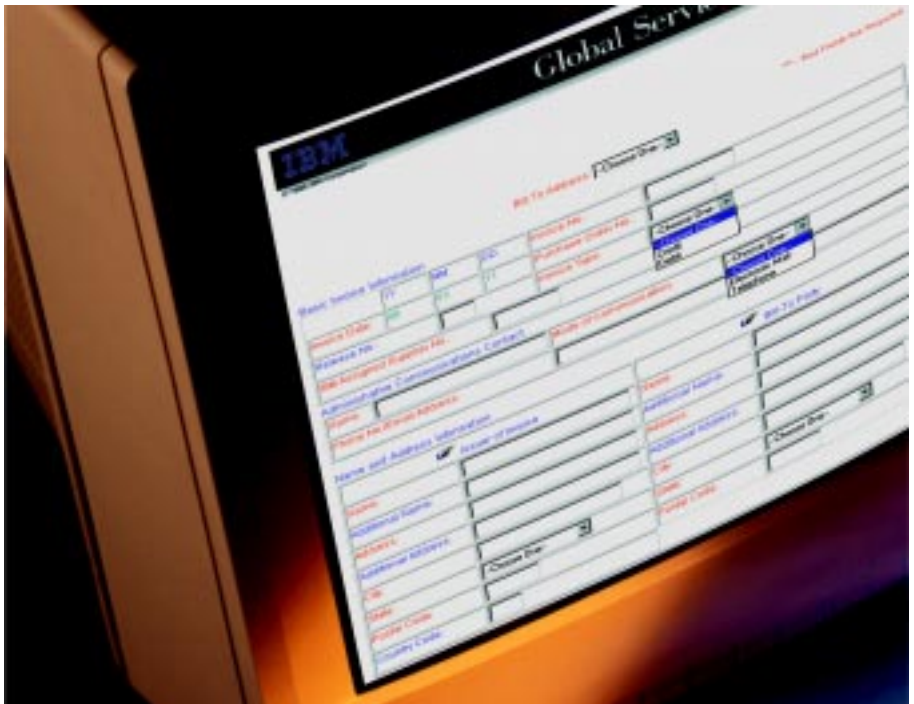|	
Application:	Web-based forms on the Internet linked to traditional EDI systems
Business value:	Money saved for Accounts Payable; fewer errors and faster payment cycles for suppliers
Service:	IBM EDI Services
Hardware:	PC with a standard modem

e™

e-business

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*** - Red Fields Are Required

Bill To Address: PO_Box_8098

Basic Invoice Information

	YY	MM	DD	Invoice No.:	123456789012345
Invoice Date:	98	03	11	Purchase Order No.:	1234567
Release No.:	123			Invoice Type:	Credit
IBM Assigned Supplier No.:	1234567				

Administrative Communications Contact

| Name: | FNAME1 LNAME1 | Mode of Communication: | Electronic Mail |
| Phone No./Email Address: | FNAME1.LNAME1@EMAILADDRESSE.UPTO70CHARACTERS.EXT | | |

Name and Address Information

☞ Issuer of Invoice | ☞ Bill-To Party

Name:	FNAME2 LNAME2	Name:	FNAME3 LNAME3
Additional Name:		Additional Name:	
Address:	ADDRESS2 36 CHAR LENGTH	Address:	ADDRESS3
Additional Address:		Additional Address:	
City:	CITY2 30 CHAR LENGTH	City:	CITY3
State:	DISTRICT OF COLUM	State:	FLORIDA
Postal Code:	123456789	Postal Code:	123456789
Country Code:	USA		

Fortuitous timing

At around the same time, IBM Global Services announced a new feature of IBM EDI Services. Called forms exchange, this Web-based solution fit the bill exactly – and Hughes signed on to help pilot the new offering.

Forms exchange is one of a set of EDI Services components that gives companies like IBM a way to enable EDI on the Web for non-EDI trading partners. With forms exchange, IBM Global Services provides a Web site along with invoice and purchase order forms customized and mapped for the sponsoring "hub" company – in this case, IBM National Accounts Payable. Although trading partners pay to use the forms exchange solution, the cost is easily affordable for smaller companies.

Authorized trading partners who sign up for the service can use any standard Internet connection and Web browser to access the site, fill in and submit invoices, or receive purchase orders. Forms data is translated "on the fly" from the Web format into the appropriate EDI document and sent directly to IBM's EDI systems.

A new e-business solution

While effective for very large and very small suppliers, these two paperless programs still left "a gaping hole in the middle," notes Hughes. "We're still doing business the old-fashioned way – on paper – with 95 percent of our suppliers. That means 50 percent of our accounts payable transaction volumes are not going through our EDI systems."

Typically, these are smaller suppliers who don't have the IS skills required to implement a traditional EDI system and perform the data mapping necessary to translate business transactions to and from standard EDI formats. "Investing in those skills to handle relatively few transactions does not make financial sense for these companies," Hughes explains.

Seeking an alternative for bringing these trading partners into the paperless world of EDI, Hughes remembers thinking, "Wouldn't it be nice to have a form out there on the Internet that they could just fill in electronically?"

A transparent process with visible benefits

"The EDI transfer is transparent to our suppliers. We really haven't changed their skill requirements," Hughes notes. "Typing information into the form on the Web is as simple as typing up a paper invoice – with a whole lot of advantages to both of us."

A key benefit for suppliers – in addition to faster payment cycles – is that the Web form can identify errors, in many cases prompting for corrections *before* an invoice is submitted electronically. Eliminating manual data entry on the IBM end also helps reduce errors.

"If a paper invoice has an error," says Hughes, "it can take up to eight days to get the correction into the system. Now, if there's a data error, our suppliers are immediately sent electronic notification. If everything's okay, our system sends back an EDI acknowledgment that's translated and posted to the supplier's 'in-basket' on the Web site."

Closing the e-business loop

When fully implemented, National Accounts Payable's e-business solution will include Web forms for the following EDI ANSI X.12 documents: 810 Invoice, 824 Application Advice, 850 Purchase Order and 860 Purchase Order Change.

"The purchase order documents close the loop," Hughes comments, noting that most suppliers participating in the Web-based EDI program will also be paid electronically. "In fact, suppliers can automatically convert the purchase order from us into an invoice form once the order has been fulfilled – almost completely eliminating the possibility of errors, and requiring even less typing."

For IBM National Accounts Payable, the significant benefit comes from increasing EDI participation and reducing paper processes. Although he has no hard and fast figures, Hughes says that transactions coming in through the Web site "definitely will be a fraction of the cost of paper."

As an additional step in closing the e-business loop for National Accounts Payable, the customized Web forms include all the data fields required by the organization's SAP R/3® financials application. Taking this requirement into consideration in the design of the Web forms means that data from this set of suppliers can be made available to the enterprise-wide accounting system.

"IBM Global Services has responded with a true sense of urgency to get this program up and running. We just said, 'Here's how we want to approach our suppliers,' and they came through with a very intuitive system that's easy for anyone to use."

Bob Hughes, manager,
IBM National Accounts
Payable Services

Rolling out the program with Focus Account assistance

As any company with EDI experience knows, setting up the systems – traditional or Web-based – is only part of a successful program. The key lies in getting trading partners to participate.

Working with the IBM purchasing organization, National Accounts Payable has targeted 400 suppliers as the first tier of likely candidates for the forms exchange EDI solution. Getting those trading partners sold on the program and up and running is the responsibility of the Focus Account Program offered by IBM Global Services.

"Once a customer such as IBM National Accounts Payable sends us the list of approved suppliers, we get to work," says Barry Shavers, project manager of Focus Account Program activities for National Accounts Payable. "We've been helping IBM trading partners implement traditional EDI since 1989. The process is the same, no matter which EDI program the trading partner uses."

The IBM enabling team can contact trading partners proactively to market the EDI program, respond to calls that have been elicited by other promotional activities, or both. The team helps the trading partner determine which EDI Services solution to use, activates the new account, enables the service selected and walks the trading partner through sending the first transaction.

Off to a good start

"By the end of 1998, we expect to have a core group of our targeted suppliers on board, and significantly more signed on by the end of the following year," Hughes predicts.

The initial startup process went very quickly, with the first form customized in under six weeks, and the others following in shorter, two- to three-week cycles. At the time, IBM was one of two companies in pilot mode for the new offering.

"IBM Global Services has responded with a true sense of urgency to get this program up and running. We just said, 'Here's how we want to approach our suppliers,' and they came through with a very intuitive system that's easy for anyone to use," adds Hughes. "By the same token, they proposed a solution when we uncovered the requirement to support our suppliers' accounting packages."

For more information

To find out how your company can benefit from a similar solution, or to learn more about IBM EDI Services and other managed network services, contact us today:

Phone: 1-800 426-7080
Priority Code 6C9C9087

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