

Journal of
Trading Partner Practices

January | February | March 2008



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From Implementation to Perfection: How the Retail Supply Chain's Approach to B2B is Changing

Background:

The Advance Shipment Notice (ASN) is a significant contributor to successful completion of the order-to-settlement process and is the gatekeeper for all downstream logistics events – including carrier status, delivery notice, automated receiving and put-away, and successful settlement. GXS and VCF chose to work together in 2007 to learn more about the ASN document's impact on the retail supply chain. Several specific situations prodded us to make the ASN the focus of our attention. These included 1) the key role ASNs play in VCF's Perfect Order Index, 2) high customer interest in GXS ASN-related offerings, and 3) VCF's perception that ASN accuracy is impacted by manual gaps in the purchase order to settlement process.

Those familiar with the work of the VCF in recent years know about the Perfect Order Index (POI). The POI is a benchmark for applied metrics in the retail supply chain's order-to-receipt process. The POI

is calculated from four high-level metrics, including:

1. On-time
2. Complete
3. Damage Free
4. Accurate Documentation

One of the drivers for three of these metrics is the ASN. The ASN is a significant component of the Accurate Documentation metric and a lesser contributor to the Complete and On-Time metrics. Because of its impact, it is important to understand the ASN better.

A significant driver for GXS in this research was an increased interest in ASNs that we have seen among customers and prospects. Several large retailers and suppliers around the globe have asked us in recent years to help them either initiate or improve their ASN and logistics programs. We felt it would be helpful to customers and prospects to offer them a better understanding of what their ASN programs could and should be providing them.

Finally, during its significant POI and deductions research during the past three years, VCF has noticed an apparent link between the manual nature of most

purchase order changes and the quality of ASNs. We felt this research would provide an opportunity to better understand the relationship between the PO Change and ASNs.

What We Found

Overall, we were initially surprised by the findings. All retailers that responded to the survey use ASNs today and all but two mandate the use of ASNs. Based on the requests for quotes GXS has seen, we expected to see a significant number of retailers that either didn't do ASNs or made them an optional part of their process. After further consideration, we wonder if, since the companies identified to participate in the study came from VCF and GXS contact lists, perhaps the participant pool was already self-selected to be more aware and involved in B2B solutions than the average company. If the respondent group is, by its nature, more apt to already utilize ASNs, then our research can be used as a good review of how such companies are faring today.

For those not doing ASNs, it provides an idea of the gap between them and those with mature EDI programs. We were disappointed to find that only

67 percent of the retail respondents actually have their ASN receiving process automated. The one-third of the respondents that receive the ASN manually need to fix this problem quickly, as the errors and personnel costs introduced by manual processes will minimize any benefits an ASN program can provide. In addition, downstream initiatives like metrics and scorecards will be less effective – or just wrong – without automated feeds of logistics related information. Similarly, retailers indicated many of their suppliers have cumbersome manual processes for creating and sending ASNs. These suppliers likewise need to embrace automation.

Another initially surprising finding was that almost all retailers and suppliers indicated that they were satisfied with their ASN routines. For a process rife with manual efforts, we expected to see more unhappy respondents. However, after careful consideration and cross-referencing with deduction policy studies, we believe we understand the reasoning for the responses. Most of the participants in the survey were EDI leaders – managers, internal consultants and senior staff. It is the role of these folks to make sure the transactions get up and running. They understand full well that the data carried by EDI documents is the responsibility of their counterparts in various functional areas of the business. As long as they have the transactions successfully processing, the EDI leaders will be happy.

So, while EDI staffs acknowledge the success of ASN creation, transport and delivery, their business counterparts are concerned about more granular problems within the ASNs. The 2006 Retail Deduction Policy Review shows that, across 42 retailers, there are a variety of unique ASN-related deductions and more than 60 percent of them are related to data quality. Thus, while the process of sending and receiving ASNs seems to work, the fact remains that many of these documents suffer from inaccurate or missing information. Our ASN survey supports this further as respondents identified the ASN as the B2B transaction most in need of attention and data quality as the number one issue in B2B today.

As research and practice clearly show, we have transitioned into a new frontier in B2B electronic commerce. The infrastructure has been built and transactions are flowing. Now, leading retailers have moved their B2B efforts from implementing their infrastructures to perfecting them. This means an important enterprise focus shift from the technical staff that makes the transactions possible to the functional staff that needs the information within the documents to execute daily business. At the functional level, businesses are looking for information about the documents (scorecards, dashboards, metrics and real-time alerts) as well as the information within the documents.

Logistics visibility, order lifecycle visibility, data quality – both product and transaction – and other initiatives rely on, and directly affect, B2B transactions. Yet it is the functional staff and not the technical/B2B staff that utilizes the information within and about the transactions. The functional staff wants and needs complete, accurate and timely data. Yet many solutions are not in line with their operations. Scorecards are built around B2B related data yet the information often comes from systems that gather and report the data long after events really occur. We are worried that B2B staffs are not involved in scorecard programs. Our research showed that no supplier or retailer respondent was aware of the scorecard programs their companies were engaged in – even when VCF was well aware of ongoing scorecarding within their business.

Recommendations

The transition to perfecting needs to include a re-engagement of the B2B team. B2B-based solutions can provide real-time information that will allow not only fine-tuning B2B programs but provide holistic, end-to-end, real-time, actionable information to help ward off potential supply chain problems. Logistics visibility solutions with built-in business rules and data quality validations can help transform a supply chain from a passive delivery operation to a strategic tool that allows companies to get the goods that they need to the places they need them – redirecting them in transit as necessary. Visibility solutions increase market share and improve overall customer satisfaction for both

retailers and their suppliers – key bottom line impacts for business.

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