



## Tesco

Major retailers have been reaping the benefits of trading electronically for many years. Electronic transactions are faster, cheaper and more accurate than manual processing. But retailers have typically struggled to eliminate paper-based transactions entirely, because EDI is too expensive or complex for their smaller suppliers.

With the help of GXS, Tesco has tackled the challenges that have, in the past, prevented some of its trading partners from adopting EDI. Tesco has significantly increased automation levels in their B2B e-commerce network during the last twelve months. Tesco, the U.K.'s largest retailer and sixth largest retailer worldwide, sends and receives more than one million documents per month, 42,000 of which were processed on paper. They wanted to reduce their paper-based documents even further, and selected GXS Trading Grid®'s automation and community enablement services to do so. Since deploying the solution, Tesco has added more than 500 small and medium-sized suppliers to their electronic trading partner network, has reduced their paper document volume by more than 25% to 28,000 a month. Through GXS, Tesco is continually reducing paper-based transactions and an ever-greater proportion of Tesco's trading community is reaping the benefits of e-commerce.



Tesco has 530,000 employees and more than 6,300 stores, and operations in 14 other countries. From its roots in food retailing, stretching back more than 80 years, it now sells a wide range of non-food products, supplied by some 5,000 suppliers based mostly in the UK but also in countries as diverse as the Republic of Ireland, France, Germany and China. These suppliers range from large multinationals to small suppliers delivering nationally down to very small local suppliers serving just one or two stores.

Around half of Tesco's suppliers already trade electronically with the retailer, receiving orders and sending invoices and credits. These suppliers include most of the company's larger trading partners, with the result that Tesco now receives just 28,000 paper documents out of the total of nearly one million documents it handles each month. However, the extremely high cost of processing paper documents compared with processing EDI transactions—together with the relocation and reorganization of Tesco's finance function—meant the retailer was keen to reduce the number of paper documents still further by helping its smaller and local suppliers invoice electronically.

“We recognized that we needed to help them make that switch without incurring the kinds of costs that come with a full EDI implementation,” explains Jean Davies, EDI Project Manager at Tesco. “We also knew that most of these suppliers have limited in-house IT resources, so we didn't want to force them to hire or buy in specialist resources to implement a solution and keep it running. We were looking for a solution for them that was simple and cost-effective.”

Tesco put together a cross-functional team involving commercial, finance and IT staff to evaluate potential solutions. “It was important that we involved commercial at this stage in the process because they own the relationship with suppliers,” Davies explains. “They’ve helped us educate suppliers that being EDI-capable is about sending invoices and credits electronically to us, as well as being able to receive orders electronically from us, and worked with suppliers to ensure they implement solutions that can handle all of that.”

When this cross-functional team reviewed solutions for smaller and local suppliers, it chose the combination of GXS’s Intelligent Web Forms and community enablement services for a number of reasons. Firstly, Davies says, “The GXS solution requires no technical expertise on the part of our suppliers. If they’ve used the web for online shopping, then any small supplier with a PC and an internet connection should have the skills to send Tesco an EDI invoice.”

With no technical requirements on the supplier side, and a range of pricing models to suit different supplier needs, Intelligent Web Forms also provides the cost-effective approach needed to meet the concerns of smaller suppliers about the costs of trading electronically. “For seasonal suppliers, there’s an annual one-off fee, with a small charge per transmission when they actually use the service,” Davies explains, “while small and local suppliers who send invoices regularly throughout the year can pay an extremely affordable all-inclusive set fee every month.”

GXS’s solution also met Tesco’s needs. “We could also be confident that, with the way Intelligent Web Forms can be customized, any invoice sent from a non-technical user with no experience of EDI will still be received by Tesco in the required format—that it will have a much greater chance of being right the first time,” Davies says. She adds that, because Tesco already had an excellent existing relationship with GXS for the provision of EDI solutions and services to meet Tesco’s own needs, Tesco could be confident GXS would deliver on its promises.

Once the deal was agreed, Tesco and GXS worked closely together to customize Intelligent Web Forms to meet Tesco’s needs. GXS then helped Tesco carry out extensive testing with a small number of trading partners who between them provided a representative sample of Tesco’s supplier base. For instance, Tesco was able to confirm it could successfully accept invoices from: UK-based suppliers invoicing in sterling as well as suppliers based overseas who were sending invoices in other currencies; suppliers who deliver to multiple countries under different terms and different invoicing parameters; and suppliers who deliver both to depots and directly to stores.

At the same time, GXS helped Tesco identify and electronically enable suitable suppliers who would benefit from the Intelligent Web Forms solution. “GXS helped us by contacting suppliers, explaining the solution to them, and getting them to sign up to it,” Davies says. “For instance, we could show them that the GXS solution offers them better traceability of their invoice. They will know when they sent it, when we received it, and that we received it in the right format—which allows the invoice to flow quickly



through our systems and be paid promptly. All of that helps our suppliers better manage their cash flow.”

Tesco now has more than 500 suppliers using Intelligent Web Forms, and adding new suppliers is quick and easy. “New suppliers are automatically referred to GXS as and when they appear to be suitable for the solution,” Davies explains. “Once they’re signed up, we’re able to very quickly carry out a short test to make sure that the invoices we receive are from the right supplier and go to the right account. Then we’re able to go live.”

She adds, “We’re also finding that larger suppliers who are keen to establish a trading relationship with Tesco can use this product as a first step when working with us, while they decide if they want to make the investment in a full in-house EDI implementation. Our aim is for 100% compliance with EDI for new suppliers, although we accept that because of the wide range of suppliers we deal with, we may never completely achieve that.”

The benefits for both Tesco and its suppliers are clear. “Submitting invoices electronically eliminates the potential for mistakes in rekeying data or the possibility of other errors creeping in during manual processing,” Davies points out. “While we make every effort to ensure accuracy at every stage in Tesco’s processes, electronically-received invoices do flow through our systems much more efficiently, helping suppliers manage their cash flow and ensuring Tesco meets the payment terms previously agreed with them.”



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#### **About GXS**

GXS is a leading B2B integration services provider and operates the world's largest integration cloud, GXS Trading Grid®. Our software and services help more than 550,000 businesses, including 22 of the top 25 supply chains, extend their partner networks, automate receiving processes, manage electronic payments, and improve supply chain visibility. GXS Managed Services, our unique approach to improving B2B integration operations, combines GXS Trading Grid® with our process orchestration services and global team to manage a company's multi-enterprise processes. Based in Gaithersburg, Maryland, GXS has direct operations in 20 countries, employing more than 2,800 professionals. To learn more, see <http://www.gxs.com>, read our blog at <http://www.gxsblogs.com> and follow us on Twitter at <http://twitter.com/gxs>. You can also access our public filings with the Securities and Exchange Commission at <http://www.sec.gov/edgar.shtml>.