

Electronic Data Interchange (EDI)

Meaning of EDI:- EDI stands for Electronic Data Interchange. EDI is an electronic way of transferring business documents in an organization internally, between its various departments or externally with suppliers, customers, or any subsidiaries. In EDI, paper documents are replaced with electronic documents such as a word document, spreadsheets, etc.

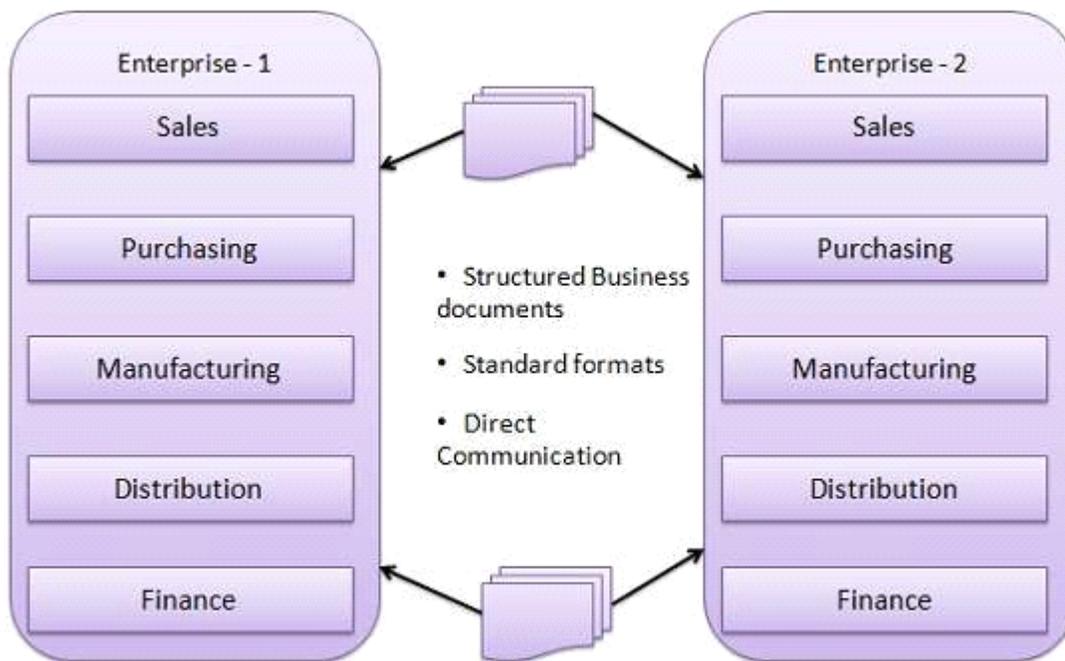


Fig.: EDI

EDI Documents:-

Following are the few important documents used in EDI-

- Invoices
- Purchase orders
- Shipping requests
- Acknowledgement

- Business correspondence letters
- Financial information letters

Step in an EDI System:-

Following are the steps in an EDI system.

- a. A program generates a file that contains the processed document.
- b. The document is converted into an agreed standard format.
- c. The file containing the document is sent electronically on the network.
- d. The trading partner receives the file.
- e. An acknowledgment document is generated and sent to the originating organization.

Advantages of an EDI System:-

Following are the advantages of having an EDI system-

- i. Reduction in data entry errors.
- ii. Shorter processing life cycle.
- iii. Electronic form of data.
- iv. Reduction in paperwork.
- v. Cost Effective.
- vi. Standard means of communication.

Benefits of EDI:- By implementing EDI, we have helped many companies add value to their organization by automatically processing information, reducing clerical tasks and eliminating data entry errors.

Using EDI for the end-to-end use of electronic transactions throughout the business cycle results in significant savings in time and resources. Current trading partners benefit from the seamless flow of information and availability of the

technology open doors for new business opportunities.

Others benefits include:-

- a. Minimal paper usage
- b. Enhanced quality of data
- c. Improved turnaround time
- d. Improved timelines
- e. Costs saving in operational efficiency
- f. Helps create a greener world

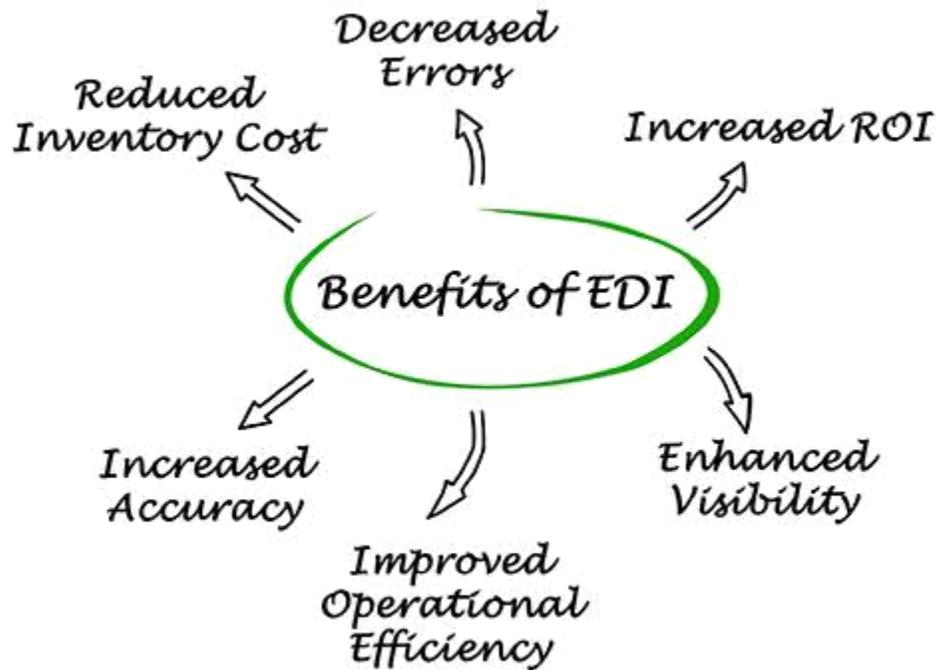


Fig.: Benefits of EDI

Application of EDI:-

Retail Sector:- In an retail sector profit margins usually depend upon effecient inverntory management. EDI provides a structured way to maintain and replenish goods stocked at a retail outlet. Retailers use a commom model stock of each shop location and the point of sale stock position is updated continuously and date in fed via EDI enable SCM (supply chain managment) network. The EDI software monitors all the logistics and makes updates in the original stock.

Manufacturing Sector:- EDI ensures efective the efficient managment of materials required for production of a commodity. In manufacturing sector EDI facilities material requirement planning and just in time manufacturing. The inventory position of OEM is constantly updated through EDI and the supplier is the notified about shortage of materials. This helps the suppliers to plan and schedule of the manufacturer. The suppliers respond via EDI with an ASN to identify the parts / materials to be delivered and the approxiamtely delivery time and soon as the shipment is delivered at the production plant the inventory is updated again.

Automobile Sector:- In automobile sector EDI is used to keep customers updated with the current product and pricing information during the purchase cycle. An advance shipping notice is transmitted through EDI to the customers to prepare a loading schedule and to ensure proper receipt of the product. The customer may also make payment on receipt of goods via EDI to spee up the payment process.

Financial Sector:- In the financial sector EDI replaces the labour intensive activities of collecting, processing and depresing payments with an electronic system. It facilitiates the flow of payment between the bank accounts of trading partners without requiring any human intervention. A payee's back account is electronically credited on the scheduled day of payment; such an exchange is known as electronic fund transfer (EFT).